

INGONYAMA
TRUST BOARD

ANNUAL REPORT

2019/20



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PART A

GENERAL INFORMATION

**PART A
GENERAL INFORMATION**



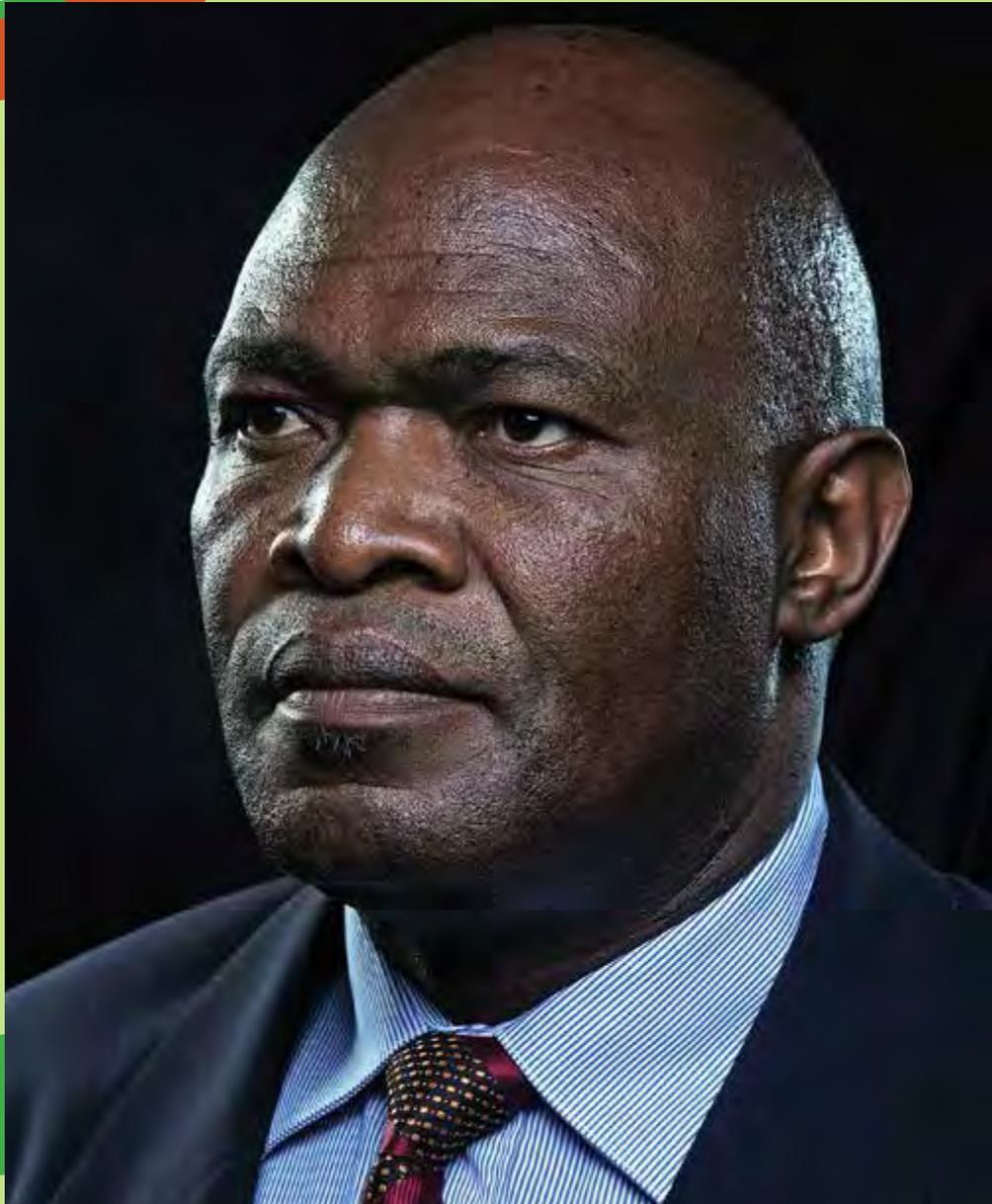
Public entity's general information

Registered name of the Public Entity	:	KwaZulu – Natal Ingonyama Trust Board
Registration number	:	Established in terms of Section 2 of the Ingonyama Trust Act, 1994
Registered Office Address	:	65 Trelawney Road, Southgate, Pietermaritzburg, 3201
Registered Postal Address	:	P.O. Box 601, Pietermaritzburg, 3201
Contact telephone numbers	:	033 846 9900
Email address	:	info@ingonyamatrust.org.za
Website Address	:	www.ingonyamatrust.org.za
External Auditors Information	:	Auditor General South Africa
Company Secretary	:	N/A

List of Abbreviations

AGSA - Auditor General South Africa
AFS - Annual Financial Statements
CEO - Chief Executive Officer
COGTA - Cooperative Governance and Traditional Affairs
DARDL - Department of Agriculture, Rural Development and Land Reform
EXCO - Executive Committee
GIS - Geographic Information System
GRAP - Generally Recognised Accounting Practice
HR - Human Resources
IESBA - International Ethic Standards Board for Accountants
ISA - International Standards on Auditing
IT - Ingonyama Trust
ITB - Ingonyama Trust Board
KZN - KwaZulu - Natal
MEC - Member of Executive Council
OD - Organisational Development
PAA - Public Audit Act
PFMA - Public Finance Management Act
PPE - Property Plant and Equipment
PTO - Permission to Occupy
SCM - Supply Chain Management

Foreword by chairperson



At the end of 2018, Ingonyama Trust was summoned to Court by an organization which purports to stand for the protection of the South African Constitution. In its application it brought along other applicants. The object of the application is to stop Ingonyama Trust from issuing out leases and to demand that the Minister responsible for land and the MEC responsible for Co-operative Government and Traditional Affairs (COGTA) be ordered by the Court to issue out Permission to Occupy (PTO), on Ingonyama Trust land. The case is still to be heard by the KwaZulu – Natal High Court.

In writing this report I wish to expose the narrative that is advanced by some funders, NGO's and bigots hiding behind the Constitution in matters relating to land ownership by the African people in South Africa. In doing so I propose to give an elaborate background in the context of Ingonyama Trust. Firstly, it is useful to remind the reader that until 1840, there was no question that what is today called KwaZulu – Natal, was the Zulu Kingdom. This is so despite the fact that it is claimed that "on the 25th of December 1497, Vasco Da Gama passed by a beautiful land, to which he gave the name Natal, in memory of the day when Christian men first saw it." The King exercised on behalf of the people all sovereignty.

The concept of sale was unknown and foreign. Similarly individual and divisibility of land. With the arrival of the White settlers and Voortrekkers land was immediately lost through conquest. In particular from 1842, a substantial part of the Kingdom, (after the battle between the English troops and the Voortrekkers), became known as Port Natal and a British possession. It is claimed that in 1843 Henry Cloete, the Lieutenant Governor General, reached an agreement with King Mpande that uThukela River was now the boundary between Port Natal and Zululand. The South being Port Natal and the North being Zululand. Whatever the merits of this argument were, what remains beyond

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question is that no compensation for whatever size of the land that was lost was ever paid to the King.

It was from this time (1843), that land survey in this Province began. Zululand remained under the administration of the King until 1887, when Zululand was annexed. I shall not deal with the terms of this annexation here. From this period onwards, the position became as follows in what then became known as the Natal Colony.

1. The Governor became the Supreme Chief of all the Zulu people (in short he became the King). This was done to justify the Governor's exercise of powers over the Zulu people including the appointment of Amakhosi.
2. The Zulu Nation's land was either put into a trust or under colonial government land (later State land) under the trusteeship of the Governor.

Later on, especially with the introduction of the 1913 Native Land Act, most of the land referred to above was incorporated into the Native Trust (later the South African Development Trust). This land was later transferred to the KwaZulu Homeland. With the demise of the homeland system and the ushering of the Constitutional Democratic Order, the KwaZulu Homeland chose to return the governance of all the land it governed to the King through Ingonyama Trust. The difference between the situation that obtained during the annexation, I refer to above and current as follows.

- 1) The King currently no longer has the executive powers like before. Neither does the President of the Country nor the Minister have trusteeship over the land or the Trust.
- 2) Ingonyama Trust is the de jure owner of the land with the King as the sole Trustee.
- 3) The Traditional Authorities under the leadership of Amakhosi exercise effective control

and administration of the land (de facto owners).

It is instructive to note that in 1858, the colonial government acknowledged the existence and the legitimacy of the Zulu law and thus passed a law that recognized a dual system of the law in the Province among the African people. This Province remains the only Province with a codified customary law.

Now let us go back to the challenges facing Ingonyama Trust. Firstly when the Ingonyama Trust Act was passed by the KwaZulu Homeland, it provided that the State will provide the funds for the administration of the Trust. When the Act was amended this obligation was removed from the State. Instead the obligation to the State remains that of providing for the administrative cost of the Board, which was created by the Amendment Act. Therefore the Trust from the beginning was never provided with any funding. All the income it has is derived from the lease income, the servitudes and some royalties.

Ingonyama Trust Board has almost equal gender representation. Three females and five males. Access to land is gender neutral. No doubt the legacy of the past based on custom, colonial and apartheid legislation is still evident. Many NGO's existed under apartheid because they could justify their existence to their funders on the basis that they were the human rights advocates. With the sporadic spread of HIV and AIDS, their focus shifted to this direction. With the government getting its house in order on this front, these NGO's and their associates found their space being drastically reduced. The alternative is now once more to attack the government on its failures to meet some Constitutional obligations. Alternatively to go back to the subliminal well-dressed bigotry and racism against African people and the institution of Traditional leadership. In this disguise they are of the view that they are invincible because they use African people as the co-litigants and spokespersons. The narrative is however exposed. So are the funders.

In the subject case above, one of the litigant is a member of the Traditional Authority. She contradicts her role as such member and that of a litigant. As would be expected,

the so called defenders of the Constitution cannot point one instance of flouting the Constitution. Instead they resort to the well-known style of the institutions funded for this purpose. They use certain sections of the media and try all angles to influence the Court's decision in their favour. When they feel this is not effective enough, they attack the person of the King and the Chairperson of the Board.

It is unfortunate to hear people who know very well that the paltry income of Ingonyama Trust must first be channeled towards operating expenses in the absence of funding from the State, (2019/2020), saying there is misappropriation of funds and therefore the Trust must be disestablished. We invite them to come up with evidence of misappropriation and a model for better administration.

What these critics and bigots fail to appreciate is that the State is the Trustee on similar landholdings in other Provinces and in KwaZulu – Natal outside the Ingonyama Trust jurisdiction. We have no evidence that the State despite its enormous financial resources is doing better than Ingonyama Trust. Evidently communal land in the trusteeship of the State outside Ingonyama Trust is neglected and left to the people on the ground to administer as they please. This they do without any formalities to comply with.

With regards to the Ingonyama Trust land a policy which encourages leasehold in particular has evolved overtime. The argument raised against the Trust is that it reduces "owners" to tenants. They claim that a PTO is a stronger right than a lease. For the record, a holder of a PTO is considered an occupier, subject to the conditions stipulated therein and can be revoked by the authority issuing such instrument without due process.

10 In my view, the ownership of land through a Trust, afford the Zulu people (albeit not all of them), with an opportunity to define themselves, preserve their culture and reshape their institutions and laws in conformity with the modern day realities and the Constitution, which is the supreme law of the country. In this regard it is opposite to make reference to

Section 211 of the Constitution which reads as follows.

"1) the Institution, status and role of Traditional leadership, according to customary law, are recognised, subject to the Constitution. 2) A Traditional Authority that observes a system of customary law may function subject to any applicable legislation and customs, which includes amendments to, or repeal of, that legislation or those customs. 3) the Courts must apply customary law when that law is applicable, subject to the Constitution and any legislation that specifically deals with customary law."

I therefore contend as follows on behalf of the Trust. The land held in trust, is for the benefit of the beneficiaries. I argue that to hold something in trust for the benefit of someone does not translate the beneficiary into an owner in the future. The trustees have a duty to protect and preserve the Trust asset. The King as a trustee with the assistance and advice of the Board will ensure that all the trust assets including land are protected and preserved for future generation.

Furthermore that these are utilized to derive maximum benefits for the beneficiaries. Therefore an even closer cooperation between the Trust and the Traditional Authorities is a sine qua non. In fact this imperative is further strengthened by the provisions of Section 2 (5) of the KwaZulu – Natal Ingonyama Trust Amendment Act, which reads as follows " the Ingonyama shall not encumber, pledge, lease , alienate or otherwise dispose of any of the said land or any interest or real right in the land, unless he has obtained the prior written consent of the Traditional Authority or Community Authority concerned, and otherwise than in accordance with the provisions of any applicable law."

The clear understanding of this provision led the Board to establish a procedure whereby an individual who seeks land whether as a member of that clan or an outsider, would first have to comply with the local rules and practices. He or she can only approach the Board with a prior written permission as contemplated in the subsection above. In the absence of this the Trust does not act. This is consistent with the customary law practice. While

PART A GENERAL INFORMATION

under strict customary law only those members and their descendants of a particular clan are eligible to access to land assigned or held for that particular clan, modern situation has proved to be flexible. The approach the Trust takes on leases is different. Firstly, it acknowledges that historically the financial institutions have only recognized freehold title deeds and long term leases. These instruments were effectively denied to Africans. Secondly, communal land held in terms of custom was not subject to Municipal rates and any levies. Instead, there were paltry tribal levies which catered for the administration of Tribal Authorities.

The transition to democracy did not address these issues at all. This omission has created a vacuum and tension among various institutions. These fall outside this report. Suffice it to state here that a lease instrument seeks to strengthen some rights an individual has over the trust land and introduce a culture of payment on the other. But more importantly it provides a financial instrument to an individual who needs one. Financial institutions are receptive of a lease on Ingonyama Trust land. They ordinarily require a further instrument which regulates the relationship between the Trust, the financial institution and the holder of a lease. This instrument is referred to as a tripartite agreement.

The income of the Trust in the year under review amounted to R87.70million (excluding straight line lease income). The expenses amounted to R82.49 million. This excluded a claim of R302million on Municipal property rates made by twenty two Municipalities, out of 44. For the Trust to meet many financial obligations current and still to come it would be necessary for the beneficiaries to make some contributions. These would be factored in the financial models which are currently being designed by the Board.

As stated above, the State takes responsibility for the Board administrative expenses. Even these are not fully met. Yet on regular basis the Trust get chided for not doing things which in the first instance are not funded. This notwithstanding, the Trust has contributed to a number of community projects which include the following:

1) Under Tembe, Mbila and Mabaso Traditional Council – A massive macadamia project. The Trust bears the cost of survey, land subdivisions, technical and other professional advice. It also provides a long term Commercial lease to secure finance.

2) Under Community agricultural projects the Trust provides tractors, seeds, labour and fencing for eleven projects.

Once a sustainable business model and programs are finalized the Trust will be on a better footing. The State is still indebted to the Trust for a substantial sum of money. Once this is settled it should be much easier for the Trust to embark on sustainable business operations. As for now I remain convinced that looking back at our history as people, Ingonyama Trust, remains one of the special community Trusts from which many lessons could be learnt.

In conclusion I wish on behalf of the Board to extend our sincere thanks to His Majesty the King for his sterling leadership, the Minister of Agriculture, Rural Development and Land Reform in her capacity as the Executive Authority and the Director-General and all his staff for unwavering support.



S. J. Ngwenya
Chairperson of the Board and Royal Nominee
INGONYAMA TRUST BOARD

Date: 2020/10/14

Overview by Chief Executive Officer



Ingonyama Trust which was established in terms of KwaZulu-Natal Ingonyama Act, 1994 is inter-alia mandated to utilise land at its disposal for material benefit, welfare and social wellbeing of Tribes and Communities living on its land. This process must be implemented notwithstanding the fact that the Trust does not receive any form of grant or support from Government.

However, Ingonyama Trust Board which has a mandate in terms of the amendment Act to administer the affairs of the Trust and Ingonyama Trust land, is a Schedule 3A Public Entity which receives grant from the State. Despite receiving limited grant, the Board is expected to manage the Trust land of approximately 3 million hectares effectively. The Board's goal is to improve the quality of life of Tribes and Communities especially living on Ingonyama Trust land which is rural in nature and underdeveloped.

Despite the limited budget and financial constraints, the Board is committed without fail to succeed and meet its mandate. Its strategic objective which inter-alia includes conceptualisation and implementation of business models will ensure value creation for the targeted beneficiaries of Ingonyama Trust Land.

SPENDING TRENDS OF THE ENTITIES

The financial year 2019/2020 has been a challenging year which had a negative effect both to the Trust and the Board. This is so because on the one hand the Trust has to generate huge revenue in order to meet its mandate with a limited resource. On the other hand, the Board which is a listed PFMA entity depends on limited financial support to meet its responsibilities.

These limitations made it difficult for both organisations to discharge their responsibility

PART A GENERAL INFORMATION



of improving the qualities of lives of many communities and tribes living of Ingonyama Trust Land.

CAPACITY CONSTRAINTS AND CHALLENGES

Key to sustainability of our mandate is to ramp up our organisation to a steady state of cost containment. The challenge is to operate at competitive costs while having the ability to maintain operational flexibility.

In response to our mandate of improved access to quality life envisaged for community living on Ingonyama Trust land, the challenge is to build a sustainable organisation and meet our goals through limited resources. Central to sustainability of our operation is to have resources and highly skilled labour force. Our capacity to deliver on our mandate is therefore constrained by a limited investment on our human resources and skills development.

In order to create value for our stakeholders, we will have to conceptualise projects and implement programmes that will unlock and leverage access to multiple income streams primarily from local and global investors and solicit better grants from Government for Ingonyama Trust Board which administer the affairs of Ingonyama Trust and its land.

OUR ACTIVITIES

The financial year 2019/20 represent the final year of the five year strategic plan. We will begin a new five strategic plan for 2020 – 2025 in April 2020. During the financial year 2019/2020, our activities mainly focused on programmes which involved activities such as improving the stakeholder relations, improving corporate governance and service excellence, developing stakeholders land (signing of MOU), capacitating and supporting

Traditional Councils and improving corporate governance through policy development. Furthermore, we focused on providing formalised secured tenure for the beneficiaries of Ingonyama Trust, while assisting them to create sources of revenue streams which is part of our mandate.

SUPPLY CHAIN MANAGEMENT

Supply chain management properly implemented it allows the fairness in the procurement of services required by the organisation amongst others it must take into account the state of Previously Disadvantaged Individuals, women, people with disabilities and the youth.

MEETING FUTURE - SKILLS DEVELOPMENT NEEDS

Within today's knowledge based society, it is estimated that 85% and upwards of assets of an organisation are intangible (e.g. reputation, capabilities, people expertise and skills) rather than tangible (e.g. facilities, technology, finance). Probably at least 70 % of intangible assets are resident in people or staff in a form of creativity, innovation, expertise, knowledge, skills and experience.

Since our organisation has a critical role to play in our communities, our staff members have to become predominant value unlockers. This means that we must skill our management and staff so that in their duties, they are driven by creative thinking power, and that they have core capabilities, openness to new ideas, ingenuity imagination and the capacity to address challenges. Our organisation will have to skill staff, managers and match the plans to people who have capacity to grow within the organisation.

ECONOMIC VIABILITY OF INGONYAMA TRUST COMMUNITIES

During the financial year under review, we interacted with the Traditional Leaders and Councils and their Communities. The objective was to improve working relations and assist them to be drivers of their socio-economic programmes in their areas of operations. Furthermore, to ensure that their organisations are self-sustainable and viable.

This commitment and interaction will continue in future with specific focus on training and development, equipping them with modern corporate governance skills, assisting them to develop business models and work with them to identify niche markets and new opportunities.

AUDIT AND FINANCE

During the financial year 2019/2020, the Ingonyama Trust obtained an Adverse Audit Opinion. According to the Audit Report, these findings relate to plant, property, equipment, investment property and municipal property rates. These findings have been referred to a dispute resolution mechanism. Their validity will be tested in that process. It should be noted that Ingonyama Trust is not a subject of the PFMA evaluation as it does not get any grant from Government.

On the other hand, Ingonyama Trust Board which is a schedule 3A Public Entity obtained a Qualified Opinion.

Source of income for both the Trust and the Board are limited to lease revenue and Government grant for the Trust and Board respectively. The Board is working hard to identify additional sources of revenue that will complement our core revenue streams

STRATEGIC OBJECTIVE

As a collective body, the Board members of Ingonyama Trust Board carries the ultimate Authority and Accountability. The Board's objective is inter-alia to protect the interests of the organisation and all its stakeholders. In order to achieve this, the Board will continue to identify risk factors that may affect the organisation negatively as part of its objective. Our key focus for the future is to enhance access by communities to tenure rights, lease ownership for commercial, residential, institutional etc. We believe this will facilitate easy access to finance and funding opportunities by financial institutions and organs of state and investors in general. To achieve this, the Board has reviewed our lease instruments and made them user friendly for funders and investors.

Developmental nodes for commercial, housing industrial etc. will be identified and be facilitated for each Traditional Councils. This will be executed after the Board has entered into Memorandum of Understanding with each Traditional Councils. The strategic intent is to achieve diversification of revenue streams for our Traditional Councils.

Recognising the need to generate revenue in order to meet our mandate as an organisation to improve the quality of communities and Tribes living on Ingonyama Trust Land, the Board is working at developing business models that would assist Ingonyama Trust to generate revenue streams and also to diversify income streams, attract investment into Ingonyama Trust land. The Board's strategic plan is to continually review operations in order to ensure that our business remains fit for the purpose.

ACKNOWLEDGMENT

My sincere thanks is extended the Secretariat and staff members for their input during the year under review. I am certain that we will continue to create value for our stakeholders and meet if not exceed the expectations and targeted goals.

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May I also thank the Board under the leadership of our Chairperson Honourable S.J. Ngwenya. We are encouraged by their dedication, commitment and leadership. Their commitments for the best practice and advice on policy regulatory issues and other matters keeps us going.

May I extend our sincere appreciation to the Executive Authority under the Minister of Agriculture, Rural Development and Land Reform Minister Didiza and her dedicated staff who are always willing to support us. Thanks to the Portfolio-Committee on Agriculture, Rural Development and Land Reform under the Chairmanship of Inkosi Mandela for your support.

Lastly, we are Honoured and blessed to be the Subjects of His Majesty, King Zwelithini Goodwill kaBhekuzulu who is the Sole Trustee of Ingonyama Trust. We are humbled to serve AmaKhosi, Traditional Councils and their communities.

His Majesty is widely known for his Leadership which is underpinned by commitment to build a better future for his Subjects and followers. To achieve this, he has dedicated

assets, human resources and harnessed financial support locally and globally with a sole intention to advance the socio-economic conditions of the Zulu nation and those who regard themselves as His subjects.



B L Mkhwanazi
Chief Executive Officer

Date : 2020/10/14

Statement of responsibility and confirmation of the accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E & F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2020.

Yours faithfully



Mr L Mkhwanazi
Chief Executive Officer

Strategic Overview

Vision

To become a leader in sustainable communal land management, and rural development.

Mission

To contribute to the improvement of the quality of life of the members of the traditional communities living on Ingonyama Trust land by ensuring that land management is to their benefit and in accordance with the laws of the land.

To develop progressive business models for the social and economic upliftment and the empowerment of the members of traditional communities on land administered by the Trust, and administered by Ingonyama Trust Board.

Values

- Transparency
- Service Excellence
- Consultation
- Open Communication
- Value for money
- Professionalism
- Honesty
- Integrity
- Non – discrimination

Legislative and other mandates

Ingonyama Trust Board is a Schedule 3A entity

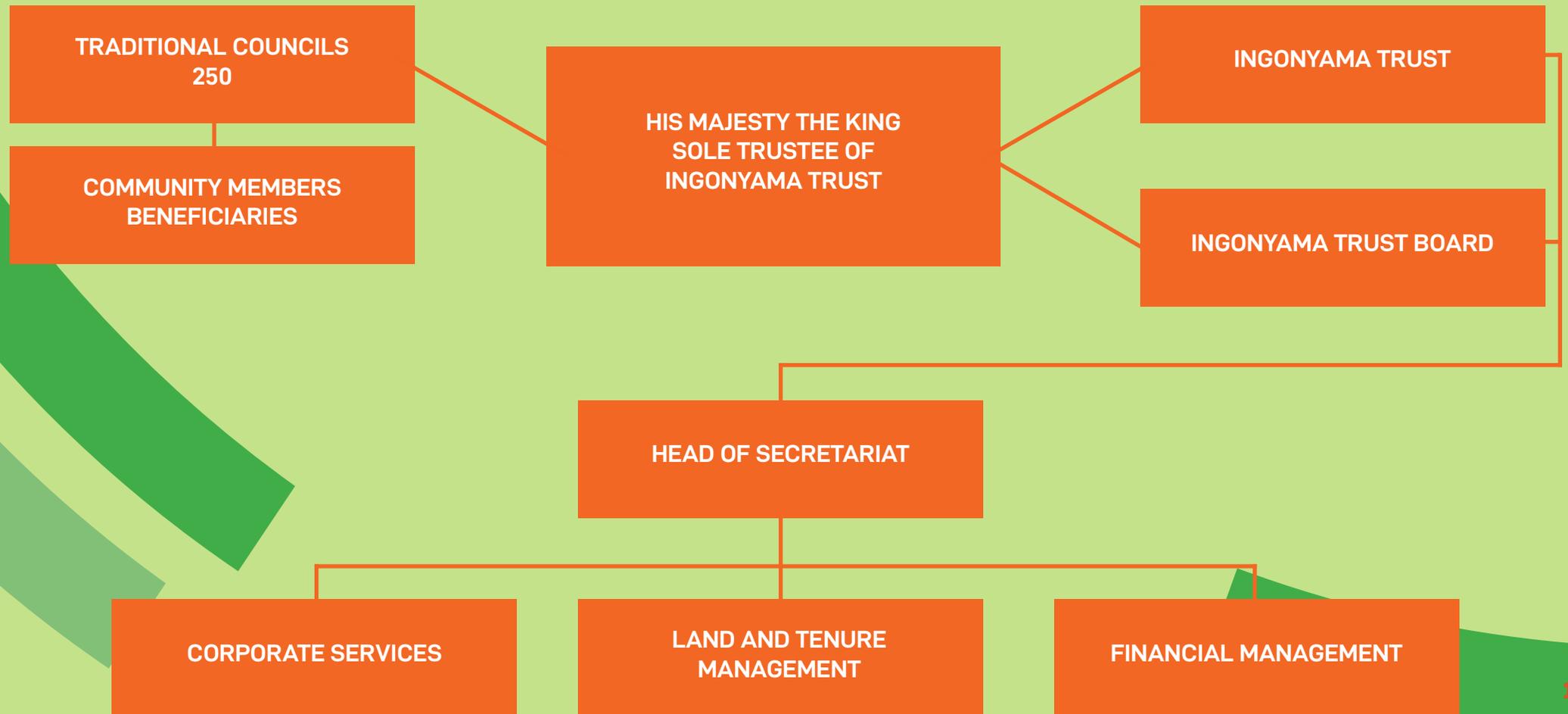
(National Public Entity means a National government business enterprise, or a Board, commission, company, corporation, fund or other entity (other than a national government business enterprise which is established in terms of the national/provincial legislation and is fully or substantially funded either from the National/Provincial Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation, and is accountable to the oversight department and to Parliament). What mandate of government Ingonyama Trust Board is carrying on remains a matter for discussion for a later date.

Legislative and other mandates

The Ingonyama Trust was created during the transition from the apartheid state to a democratic constitutional state. The constitutional order demanded certain values among others that all laws shall be tested against the constitutional value against the new constitution as a result the old legislation creating Ingonyama Trust had to undergo a rigorous amendment to meet the constitutional requirements. As a result the Act was re written as a whole. This resulted in the creation of a Board as a public entity that would administer the affairs of the Trust and Trust land. It is the firm view of the Trust that the section in the Amendment Act which excises land from the trust in favour of the municipalities without consultation and compensation runs counter to the provisions of section 25 of the Constitution. This aspect of the Amendment Act is the subject of deliberation and consideration outside the purview of this report.

The governance of Ingonyama Trust land starts with the application of Zulu customary law. The other laws of the country follow. In this context, Zulu customary law recognizes the King (in this context also the sole Trustee), to whom all Amakhosi owe allegiance from the time of King Shaka. Below Amakhosi are Izinduna and then families who are headed by family heads. Furthermore under Zulu customary law within a family an individual is either a family head or family inmate. It is among others for this reason that land is communally owned. The system of Traditional leadership and therefore customary law is recognized by the South African Constitution. It is thus beyond question that the administration of Ingonyama Trust owned land in terms of Zulu customary law is protected by the Constitution.

Organisational Structure



Situational Analysis

The Board in administering the affairs of the Trust finds itself in a highly complex, volatile and ever changing environment. The challenge among others is to deal with the hostile, aggressive and unfair attacks. On the other hand it needs to improve its ability to disseminate its information so that there is a better understanding of its role, that of the Trust and the relationship between these institutions and the institution of Traditional Leadership as recognised in terms of Chapter 12 of the Constitution.

The inability to adequately disseminate information is a weakness. The ownership of the land by the Trust is the greatest strength the institution has. The opportunities that are available amongst others are to realise the economic potential that exists within the Trust land. The Board has succeeded in granting many leases (although far lesser than it wishes). As a result, more financial institutions have accepted the leases as a financial instrument for Trust beneficiaries to access finance from those institutions. Arising out of this more economic opportunities will become available as this programme unfolds.

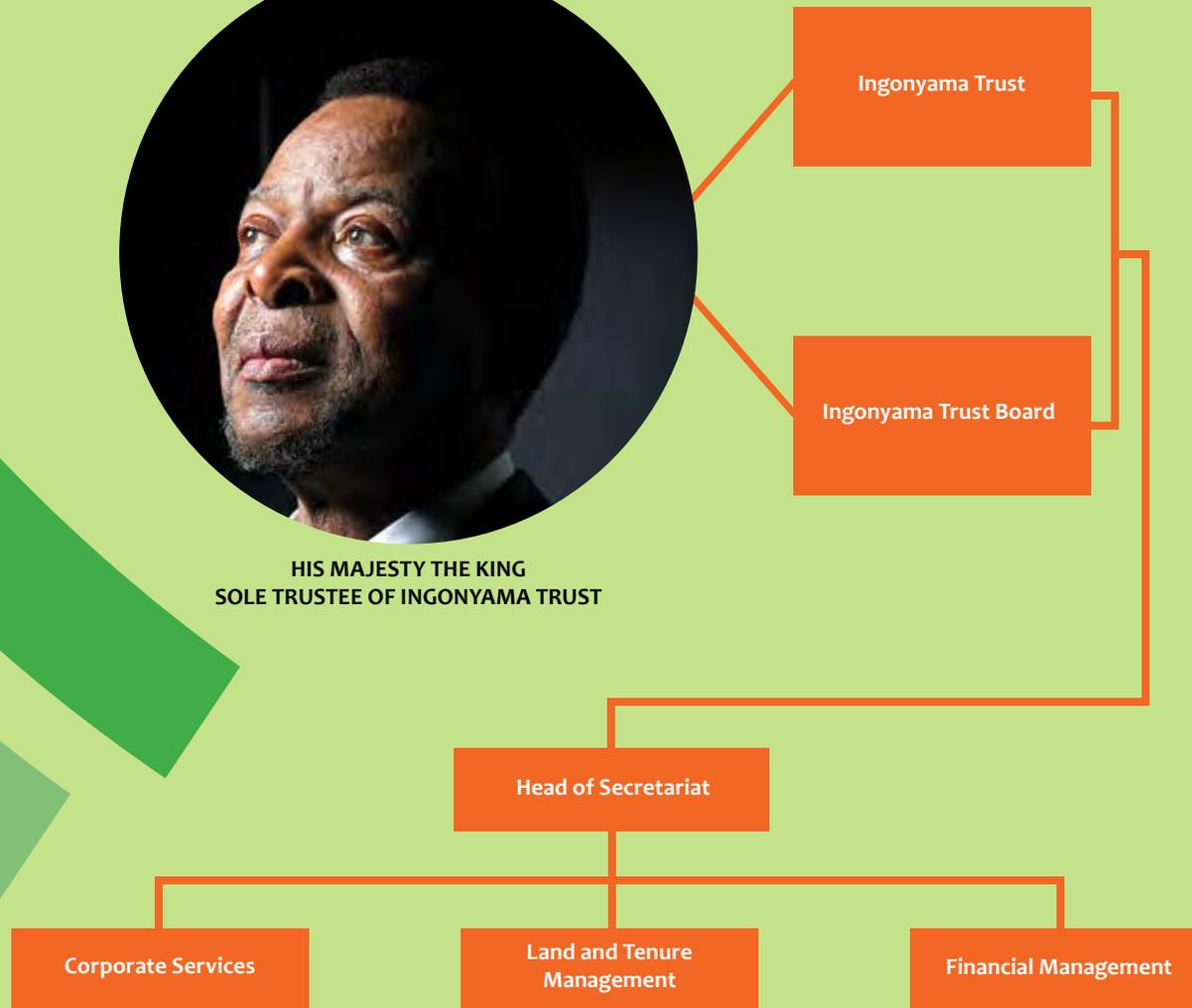
Strategic Outcome Oriented Goal

To administer the affairs of the Trust for the benefit and the material well – being of the communities living on land under the Ingonyama Trust.

**PART A
GENERAL INFORMATION**



**HIS MAJESTY THE KING
SOLE TRUSTEE OF INGONYAMA TRUST**



PART B

PERFORMANCE INFORMATION

Performance Information

Programme 1 : Administration

Description of Programme

The purpose of this programme is to provide strategic leadership, corporate services, logistical support services and financial management to the Trust.

Programme Structure

The administration programme comprises of the following:

- Board
- Administration (Secretariat)
- Corporate Services
- Financial services

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objectives	Performance Indicator	Actual Achievement			Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
		2016/2017	2017/2018	2018/2019				
11. To ensure that internal resources are efficiently managed	Number of policies approved by the Board	4	-	3	5	2	-3	There were three (3) draft policies which were undergoing internal consultation process. This has been completed and they await approval before the end of quarter 2 of 2020/21 period.
	Percentage acquired movable assets recorded in the asset register	100%	100%	-	100%	100%	N/A	N/A
	Percentage of vacant positions filled	97%	93%	-	100%	100%	N/A	N/A
	Number of IT solutions implemented	New Indicator	New Indicator	New Indicator	2	2	N/A	N/A

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PERFORMANCE INFORMATION**

Strategic Objectives	Performance Indicator	Actual Achievement			Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
		2016/2017	2017/2018	2018/2019				
1.2. Provision of skills development to employees to improve service delivery	Number of training programmes conducted	14	2	-	10	4	-6	The training programmes identified took longer to implement because of capacity constraints.
1.3. To improve customer relationship	Percentage undisputed invoices paid within 30 days upon receipt by finance	100%	100%	-	100%	100%	N/A	N/A
	Communication strategy approved by the Board	1	-	-	1	-	-1	The communication strategy is being processed internally for approval during the 3rd quarter of the 2020/21 financial year

Ingonyama Trust Board - Programme : 1 Administration

Linking performance with budgets

Programme/activity/ objective	2018/2019			2019/20		
	Budget (in millions)	Actual Expenditure (in millions)	(Over) / Under Expenditure (in millions)	Budget (in millions)	Actual Expenditure (in millions)	(Over) / Under Expenditure (in millions)
Administration	R 41,04	R 41,04	-	R 65,6	R 46,6	R 19

The underspending in 2019/20 is due to a contingent provision made in the budget for salaries to be paid in respect of the proposed revised organogram on a phased in approach.

Performance Information **Programme 2 : Land and Tenure Management**

Description of Programme

The purpose of this programme is to provide a secure tenure right and establish a comprehensive land tenure information system.

Programme Structure

The Land and Tenure Management programme comprises of the following:

- Provision of tenure rights
- Maintenance of Land tenure information system

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objectives	Performance Indicator	Actual Achievement			Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
		2016/2017	2017/2018	2018/2019				
2.1. Provision of secured tenure rights to facilitate development on Ingonyama Trust land	Number of land tenure rights approved by the Board	1058	715	1713	1000	1409	+ 409	
2.2. To maintain an integrated and comprehensive land tenure administration system/ (database of land tenure rights)	Number of quarterly updates on land holdings register	4	4	4	4	4	N/A	N/A

Performance Information

Programme 3 : Traditional Council Support

Description of Programme

The purpose of this programme is to look into the financial resources of the Trust in advancing economic growth, creating employment and eradication of poverty.

Programme Structure

The Traditional Council support programme comprises of the following:

- Provision of training to Traditional Councils
- Provision of educational awards to community members

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objectives	Performance Indicator	Actual Achievement			Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
		2016/2017	2017/2018	2018/2019				
3.1. Provide training programs to Traditional councils	Number of traditional councils trained	11	-	-	45	-	-45	This is an unfunded expense however the Trust from its limited resources has made money available to appoint a Training Coordinator
3.2. Facilitate Corporate Social Investment to communities living on Trust land	Number of educational awards granted	111	43	-	50	-	-50	This is an unfunded expense and a reconciliation of beneficiaries is being prepared.

PART B
PERFORMANCE INFORMATION

Linking performance with budgets

Programme/activity/ objective	2018/2019			2019/20		
	Budget (in millions)	Actual Expenditure (in millions)	(Over) / Under Expenditure (in millions)	Budget (in millions)	Actual Expenditure (in millions)	(Over) / Under Expenditure (in millions)
Ingonyama Trust pro- grammes	R 139,02	R 55,96	R 83,06	R 171,39	R 82,49	R 88,9

Notes

Programme 2 and Programme 3 relate to the core activities of the Ingonyama Trust and the expenditure is paid for by the Ingonyama Trust from non appropriated funds.

The underspending mainly relates to the non payment of municipal rates on IT land. The rates claims by municipalities is the subject of continuous discussions with municipalities which is being given priority by the ITB.

Source of funding - Ingonyama Trust Board

The Ingonyama Trust Board receives transfer payment from the Department of Agriculture, Rural Development and Land Reform amounting to R 20 million per annum. This is however not sufficient to fund the Ingonyama Trust Board budget. The balance of the Ingonyama Trust Board budget had been paid for by the Ingonyama Trust.

Sources of revenue	2018/2019			2019/20		
	Estimate (in millions)	Actual Amount Received (in millions)	(Over) / Under funding (in millions)	Estimate (in millions)	Actual Amount Received (in millions)	(Over) / Under funding (in millions)
Transfer payment and Ingonyama Trust funding	R 41,03	41,03	-	R 65,6	R 46,62	R 18,98

Notes

Underspending is due to limited funds provided by the state.

**PART B
PERFORMANCE INFORMATION**



PART C

GOVERNANCE

PART C GOVERNANCE

Introduction

Ingonyama Trust Board is a Schedule 3A public entity and is governed in terms of the Public Finance Management Act (PFMA). Ingonyama Trust is primarily governed by the law of Trust and some provisions of the various laws including Zulu customary law as it is a statutory trust. Therefore when dealing with the ITB reference will primarily be made to the PFMA. Where guidance could not be found in the PFMA for purposes of public entity it shall be sought from the prescripts of corporate governance both nationally and internationally.

The Accounting Authority/The Board

The Ingonyama Trust is administered by the The Ingonyama Trust Board (ITB) "the Board".

In line with its statutory mandate, the Board is responsible for:

- Providing strategic leadership for management of Trust land;
- Oversee operational performance of the organisation and the Trust;
- Provide leadership and policy direction in matters pertaining to communal land under the leadership of Amakhosi in the province.

For operational efficiencies and in line with the Regulations the Board has established the following governance structures:

Board Committees

- Executive Committee of the Board (EXCO);
- Human Resource and Organisational development Committee;
- Finance Committee (FINCO);

- Audit Committee;
- Tenure Committee;
- Mining Committee.

Management Committees

- MANCO;
- Bid Specification Committee;
- Bid Evaluation Committee;
- Bid Adjudication Committee;

The Board is comprised of the following members.

His Majesty the King (Statutory Sole Trustee)

Hon. (former Mr Justice) S.J. Ngwenya (Chairperson - Royal nominee)

Ms J.T. Bhengu (Vice Chairperson) - Resigned 31 August 2019

Advocate W.E.R Raubenheimer

Mr B.L. Shabalala

Inkosi T.W. Mavundla

Inkosi P.R. Bele

Inkosi Z.T. Gumede

Inkosi S.E. Shabalala

Dr. M.S. Mbatha

- Resigned 10 September 2019

THE SECRETARIAT

The Secretariat is the administrative enterprise through which the Board discharges its mandate.

The current structure of the Secretariat is as follows:

- Corporate Services;
- Land and Tenure Management;
- Financial Management.

Corporate Services

The Corporate Services component provides administrative support services to the Board, and the Secretariat as a whole.

The core functions of this component include:

- Fleet management, Logistics, Registry, Communication and reception;
- Human resources, Information Technology and Supply Chain Management.

Real Estate

The Real Estate Department has a number of sub – programmes. These are Land and Tenure Management and Property Asset Management.

Land and Asset Management

Land Management includes tenure allocation and liaison with the communities and Traditional Councils. Asset Management in this context entails the management of immovable property register amongst others. Further and additional activities of these components include the following.

- Development of land management policies and implementation;
- Processing of tenure right applications on land;
- Making inputs to various government legislation and policies dealing with land matters;
- Land surveying and Geographic Information System (GIS).

Finance

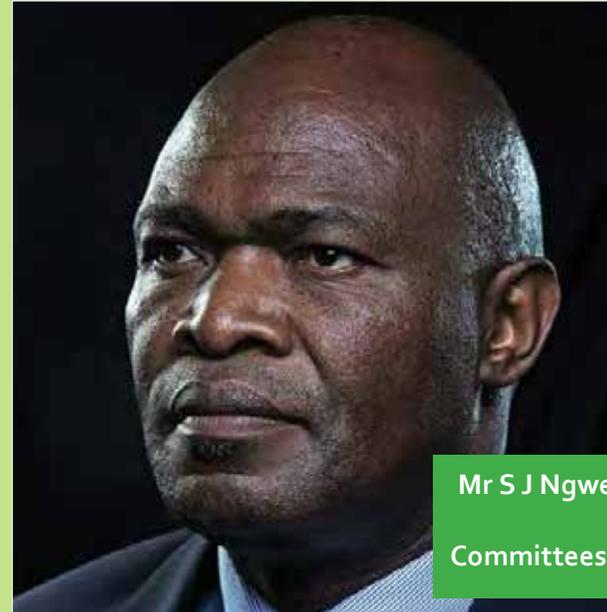
Financial Administration consists of providing financial accounting, budgeting, regulating compliance and risk management services to the Ingonyama Trust Board to ensure that the asset of the Trust which is principally land, is administered professionally and its finances well protected. Among the main functions, the Finance Department has the following responsibilities:

- Ensure that all movable assets of the Board and the Trust are well documented and accounted for;
- Ensuring that sound financial administration policies are in place;
- Establishing of sound internal controls and regularly maintaining them;
- Ensure that all creditors of the Board and the Trust are timeously paid.

**PART C
GOVERNANCE**



His Majesty the King (Trustee)



Mr S J Ngwenya (Chairperson and Royal nominee)

Committees: EXCO, HR & OD, Tenure



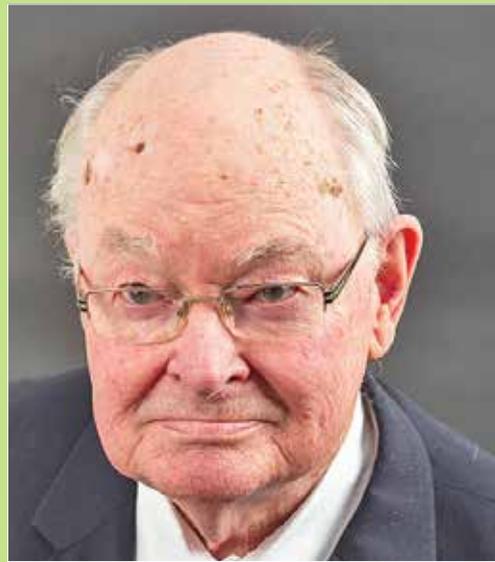
Ms J T Bhengu (Vice Chairperson)

Committees: EXCO, HR & OD, Tenure



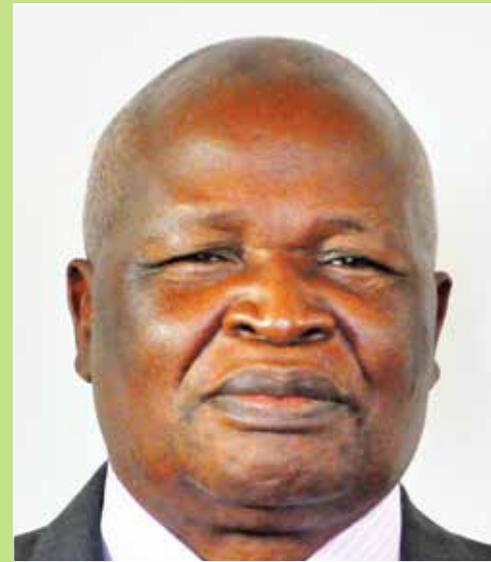
Dr M S Mbatha

Committees: EXCO, FINCO, Audit,
Tenure



Advocate W E R Raubenheimer

Committees: EXCO, FINCO, Tenure



Mr B L Shabalala

Committees: EXCO, FINCO, HR & OD,
Tenure, Audit

**PART C
GOVERNANCE**



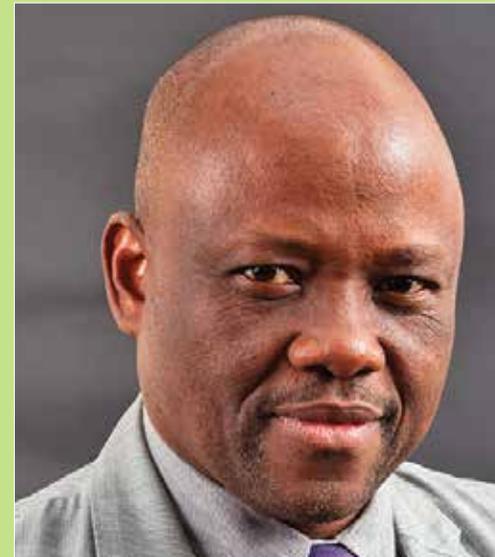
Inkosi W T Mavundla

Committees: EXCO, Tenure, FINCO



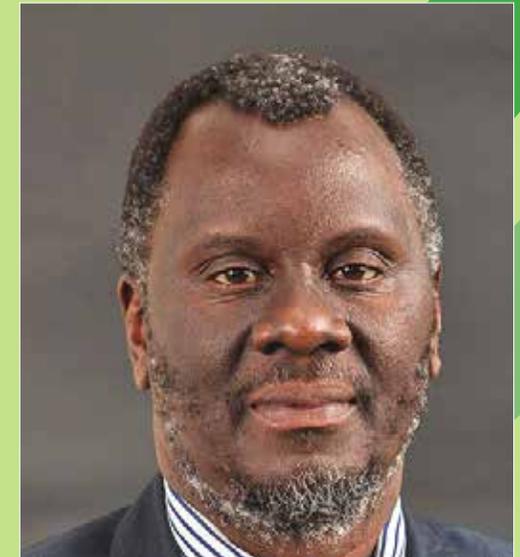
Inkosi S E Shabalala

Committees: EXCO, Tenure



Inkosi P R Bele

Committees: EXCO, Tenure, Mining



Inkosi Z T Gumede

Committees: EXCO, Tenure, FINCO

Board Meeting Attendance

Board Committees Meeting attendance

Committee	No. of meetings held	No. of members	Name of members
Board meeting	25	9	Mr S J Ngwenya (chairperson) Ms J Bhengu Adv W E R Raubenheimer Dr T Mbatha Mr B L Shabalala Inkosi Z T Gumede Inkosi P R Bele Inkosi W T Mavundla Inkosi S E Shabalala
Tenure Committee	15	9	Mr S J Ngwenya (chairperson) Ms J Bhengu Adv W E R Raubenheimer Dr T Mbatha Mr B L Shabalala Inkosi Z T Gumede Inkosi P R Bele Inkosi W T Mavundla Inkosi S E Shabalala

Committee	No. of meetings held	No. of members	Name of members
Finance Committee (FINCO)	8	7	Inkosi Mavundla (chairperson) Advocate W E R Raubenheimer Dr T Mbatha Mr S J Ngwenya Mr B L Shabalala Inkosi P R Bele Inkosi Z T Gumede
Mining Committee	2	3	Inkosi P R Bele Mr S J Ngwenya Ms J Bhengu
Human Resources & Organisational Development	1		Mr S J Ngwenya Advocate W E R Raubenheimer Inkosi P R Bele MR B L Shabalala

Internal Control Environment

In order for the Board to comply with its mandate it ensures that a sustainable internal control environment is maintained.

Risk Management

In the current year the Board did not have an approved Risk Management Strategy.

Internal Audit

The Public Finance Management Act (PFMA) requires the Board to establish an effective internal audit function under the control and direction of the Audit Committee. The objective of the internal audit is to provide a professional and objective service to add value and improve the operations of the Trust. This is achieved through the evaluation, improvement and testing of effective risk management, financial controls, governance processes and policies.

During the financial year under review the Board retained Kaizen International (PTY) LTD to perform the Internal Audit function.

Audit Committee Report

We are pleased to present our report for the year ended 31 March 2020.

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder. The Committee should meet not less than four times per annum as prescribed in the audit charter.

During the current year two meetings were held.

Member	Committee Meetings
Mr M Khuzwayo (Chairperson)	2/2
Mr B.L. Shabalala	2/2
Dr M.S. Mbatha	1/2

Audit Committee's Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a) of the PFMA and Treasury Regulations.

The Audit Committee also report that it has adopted appropriate formal terms of reference as its audit committee charter and has discharged its responsibilities in terms of this charter. The Audit Committee has liaised with both internal and external auditors and reviewed their plans and findings to ensure that the internal controls are as effective as possible and appropriate to the organization.

The King III Report on Corporate Governance has been implemented to the extent it is

applicable to the organisation and both internal and external auditors have unrestricted access to the Audit Committee.

The financial policies have been reviewed and the Audit Committee is satisfied with the effective functioning of the internal control system. A risk management process has been undertaken and has been evaluated by the auditors as a basis for their audit approach. Various recommendations have been made to the Board arising from reviews of its operations and reports from the internal auditors. As a result the Board has formalised policies this year and is currently considering more of these policies for adoption.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed the Auditor - General's management letter and management's response thereto,
- Reviewed changes in accounting policies and practice, and;
- Reviewed significant adjustments resulting from the audit.



Mr M Khuzwayo
Chairperson

**PART C
GOVERNANCE**



Human Resource Management

Introduction

The purpose of this division is to provide an effective and efficient Human Resources Management Support.

- Ensures effective implementation of HR policies & procedures within ITB in order to achieve more effective customer focused HR delivery and sound management practices;
- Ensures development, implementation & maintenance of efficient services, norms and standards, services strategies, policies, employee performance management system and rewards;
- Ensures that training and development is coordinated and implemented in line with organizational strategies and legislation;
- Implements and monitor employees' career development/ path, talent management and succession planning;
- Provides direction and oversight for staff employment and proactive assistance to both employees and supervisors on the interpretation and implementation of policies and procedures;
- Renders occupational health and safety and promote employee wellness services;
- Develops and implement HRM administrative services to ensure efficient HR management processes.

Human Resources Management

Implementation of the HR Information System

In April 2019 Sage Pastel was upgraded from being just a payroll system to add HR Management Module. The HR module entailed the following features: Employee Self-Service in respect of Leave Applications. This feature eliminates the use of manual leave applications as approvals/ disapprovals are done online thereby minimising the risk of losing leave application forms and leave records are updated immediately on the system. Employees can access their payslips directly from the system.

PART D HUMAN RESOURCE MANAGEMENT

Training and Development

The following training courses were attended by the ITB staff

Training Programme	Number of employees
Payroll Management:	2
Safety Representative Course	8
First Aid Training	4
Minute taking Course	4
Land Management	22

The total number of employees who received training is 40. Skills development is a priority element under the codes of the BBBEE best practice.

Staff Appointments

No new permanent staff appointments were made during the reporting period.

Contract Employees

Currently there are 9 employees on short term contracts, their contracts will expire at the end of December 2020. These were renewed in 2019 pending the finalisation of the placement process.

Human Resources Oversight Statistics

Personnel Cost by programme/activity/objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	46,62	31,88	71,45%	62	0,51

PART D
HUMAN RESOURCE MANAGEMENT

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1,905	5.97	1	1,905
Senior Management	9,199	28.86	7	1,314
Professional qualified	2,625	8.23	4	656
Skilled	1,629	50.58	42	384
Semi skilled	2,026	6.36	8	253
Unskilled				
TOTAL	31,884	100	62	514

Training costs

Programme / activity / objective	Personnel Expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of Personnel Cost	No of employees trained	Avg training cost per employee
Health and Safety committee to be equipped				5	2,547.83
First Aiders to gain knowledge				3	826.09
Gain knowledge on Sage system				2	2,300
				2	10,300

PART D
HUMAN RESOURCE MANAGEMENT

Employment and vacancies

Programme / activity / objective	2018/19 No of employees	2019/20 Approved posts	2019/20 No of employees	2019/20 Vacancies	% of vacancies
	62	62			
Top management	1	1			
Senior Management	7	7			
Professional qualified	4	4			
Skilled	42	42			
Semi - skilled	8	8			
Unskilled					
Total	62	62			

Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management		01		
Senior Management				
Professional qualified				
Skilled				
Semi skilled				
Unskilled				
TOTAL		01		

PART D
HUMAN RESOURCE MANAGEMENT

Reasons for staff leaving

Reason	Number	% of total no of staff leaving
Death		
Resignation	01	
Dismissal		
Retirement		
Ill health		
Expiry of contract		
Other		
TOTAL	01	

PART E

INGONYAMA TRUST BOARD

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2020

VOTED FUNDS

Statement of Board's responsibility for financial and performance information

The Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The Auditor -General of South Africa are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Generally Recognised Accounting Practice Standards.

The Board is also responsible for the Trust's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and prevent and detect misstatements and loss. Nothing has come to the attention of the Board to indicate any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The financial statements set out on page 64 to 99 were approved by the Board members on the 31 July 2020 and signed on its behalf by the Chairperson of the Board.

General Information

Members of the Ingonyama Trust Board as at 31 March 2020 :

His Majesty the King (Trustee)

Hon. Mr Justice S.J. Ngwenya (Chairperson - Royal nominee)

Ms J.T.J. Bhengu (Vice chairperson) - Resigned 31 August 2019

Adv. W.E.R. Raubenheimer

Mr B.L. Shabalala

Inkosi T.W Mavundla

Inkosi P.R Bele

Inkosi Z.T Gumede

Inkosi S. E Shabalala

Dr M.S Mbatha - Resigned 10 September 2019

PART E

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS



Auditors:

The Auditor -General of South Africa

Bankers:

First National Bank - a division of FirstRand Bank Ltd

Nedbank Ltd

Absa Bank Ltd

Investec Bank Limited

Standard Bank of South Africa Ltd

Registered Office:

65 Trelawney Road

Pietermaritzburg

3201

Approval of Annual Financial Statements

The Ingonyama Trust Board is a schedule 3A Public Entity. The Executive Authority for the period of this report is the Minister of Rural Development and Land Reform. The area of jurisdiction is Kwazulu-Natal.

The Trust was initially created by the Kwazulu Legislative Assembly as a repository for the communal land of the Zulu Nation with His Majesty the King as sole Trustee. This was by way of the Kwazulu Ingonyama Trust (KZ) Act 3 of 1994. In 1997 the democratic National Parliament amended this Act, so that it is consistent with modern constitutional order.

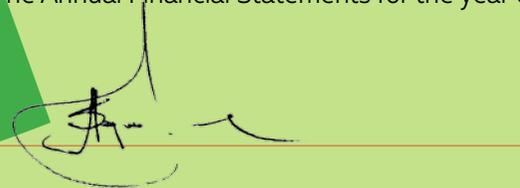
This amendment involved changes to all sections of the Act by way of the Kwazulu-Natal Ingonyama Trust Amendment Act No 9 of 1997. Importantly this Act established the Trust Board appointed by the then Minister of Land Affairs following a consultative process with the KZN Premier – in – Executive Council and the Chairperson of the KZN House of Traditional Leaders. The King remains the sole Trustee and he (or his nominee) chairs the Board. The 1997 amendment Act also excluded application of private trust legislation to the Kwazulu Ingonyama Trust. The effect of these amendment among others was to create a Board which is a separate and independent legal entity.

The members of the Board are not trustees but are appointed by the Minister responsible for land affairs.

The function of the Board is to administer the affairs of the Trust and Trust land. This is a unique situation since trusts are ordinarily controlled by boards of trustees.

Approval of Annual Financial Statements

The Annual Financial Statements for the year ended 31 March 2020 were approved by the Board on 31 July 2020.



Chairperson of Ingonyama Trust Board
Mr S J Ngwenya

Report of the Auditor General to Parliament on Ingonyama Trust Board

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Ingonyama Trust Board set out on pages 64 to 97, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ingonyama Trust Board as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Irregular expenditure

3. The entity did not disclose the full extent of the irregular expenditure as required by section 55(2)(b)(i) of the PFMA. This was due to payments made in contravention of the supply chain management requirements which resulted in irregular expenditure. These payments were not identified by the entity's system of internal controls. Consequently, I was unable to determine the full extent of irregular expenditure stated at R2,84 million (2019: R1,91 million).

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

5. I am independent of the entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedule

8. The supplementary information set out on pages 98 to 99 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, the accounting authority is responsible for assessing the Ingonyama Trust Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.
Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.
Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for programme 2: land and tenure management presented on page 28 of the annual performance report of the entity for the year ended 31 March 2020.

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report on pages x to x sets out information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets.

Report on the audit of compliance with legislation
Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

22. Complete financial statements which include supporting schedules were not submitted for audit within two months after the deadline stipulated in section 55(1)(c)(i) of the PFMA, as required by the Government Gazette no. 43188 volume 657 issued by the finance minister on 31 March 2020.

Procurement and contract management

23. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation

16A6.1. Similar non-compliance was also reported in the prior year.

24. Some of the quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by treasury regulation 16A9.1(d). Similar non-compliance was also reported in the prior year.

25. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 56 of the PFMA and treasury regulations 8.1 and 8.2. Similar non-compliance was also reported in the prior year.

26. The preference point system was not applied in the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and treasury regulations 16A6.3(b).

27. Quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3. Similar non-compliance was also reported in the prior year.

Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the value disclosed in note 32 of the financial statements does not reflect the full extent of the irregular expenditure incurred.

Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the chairperson's report and the chief executive officer's report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.

30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

32. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.

34. The leadership did not establish effective oversight and monitoring over financial reporting processes and compliance with laws and regulations.

35. The processes followed by management were inadequate to ensure reliable financial reporting and adherence to laws and regulations.

Other reports

36. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or compliance with legislation.

37. An investigation is being conducted by the accounting authority, which covers the period 1 April 2017 to 31 March 2018. The investigation relates to an allegation of possible misappropriation of the trust's assets. The outcome of the investigation is expected in the 2020-21 financial year due to delays experienced in finalising the investigation in the current financial year.

38. The accounting authority is conducting an investigation into the alleged supply chain management related irregularities, which occurred during the 2018-19 and 2019-20 financial years.

Auditor-General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

**Pietermaritzburg
14 October 2020**

Response of the Ingonyama Trust Board to aspects of the Auditor General's Report

Irregular Expenditure

The Ingonyama Trust Board disclosed an amount of R 943 824 as irregular expenditure in the Annual financial statements based on its interpretation of irregular expenditure which was submitted to the AGSA for audit purposes.

The AGSA noted that the Board did not disclose the full extent of the irregular expenditure. It is not a specific requirement of section 55 (2)(b) (i) of the PFMA to disclose the full extent of irregular expenditure.

The basis of the audit opinion is of concern in that the AGSA implies that there is still further irregular expenditure which even the AGSA is unable to provide evidence and the determine the extent of.

The Board has complied with the PFMA in disclosing the extent of irregular expenditure based on its assessment of irregular expenditure and further amended the financial statements based on the AGSA's amount.

Statement of financial position as at 31 March 2020

	Note	2020 R	2019 R
Assets			
Non - current assets			
		8,915	31,228
Property, plant and equipment	3 & 18	8,915	15,826
Intangible Assets	19	-	15,402
Current Assets			
		2,700,202	2,134,470
Receivable from exchange transactions	21.1	1,298,506	1,370,990
Receivables from non exchange transactions	21.2	1,399,080	160,238
Cash and cash equivalents	22	2,616	603,242
Total Assets		2,709,117	2,165,698
Liabilities			
Current liabilities			
		3,158,800	2,082,813
Payables from exchange transactions	23	3,127,117	2,081,813
Bank overdraft	22	31,683	-
Total liabilities		3,158,800	2,081,813
Net (liabilities)/assets		(449,683)	83,885
Net assets			
Retained earnings (non - cash)		(449,683)	83,885
Total net assets		(449,683)	83,885

PART E**ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS****Statement of financial performance for the year ended 31 March 2020**

	Note	2020 R	2019 R
Revenue		46 000 595	40 863 805
Transfer payment - Department of Agriculture, Rural Development and Land Reform	6	21,489,000	20,349,000
Ingonyama Trust Payment for re-imburement of Board expense	1	24,511,595	20,514,805
Other income		90,743	112,963
Interest on bank account		90,743	112,963
Total revenue		46,091,338	40,976,768
Expenditure		46,624,906	(41,036,700)
Expenses funded from Transfer Payment and Ingonyama Trust	35	46,624,906	(41,036,700)
Retained earnings for the year		(533,568)	(59,932)

¹ The Board is reimbursed by the Ingonyama Trust as the Board bears most of the operating expenses including salaries and wages

Statement of changes in net assets for the year ended 31 March 2020

	Note	2020 R Retained earnings	2019 R Retained earnings
Opening Balance : 01:04:2019		83,885	83,885
Loss for current year		(533,568)	-
		(449,683)	83,885
Closing Balance	1	(449,683)	83,885

¹The loss is non - cash because of the provision for PAYE

PART E

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS



Cash flow statement for the year ended 31 March 2020

	Note	2020 R	2019 R
Cash flow from operating activities			
Receipts		46,091,338	41,036,701
Transfer payments		21,489,000	20,349,000
Ingonyama Trust Act in terms of the Financial regulations 10(2) of the Ingonyama Trust Act		-	5,664,615
Ingonyama Trust payment for re-imbursment of Trust expenses		24,511,595	14,850,190
Recovery of funds on unauthorised use of petrol cards		-	59,933
Interest received		90,743	112,963
Payments		(46,723,647)	(40,441,452)
Suppliers		(14,840,144)	(14,020,435)
Employee costs		(31,883,503)	(26,421,017)
Net cash flows from operating activities	31. (A)	(632,309)	595,249
Increase / (decrease) in cash and cash equivalents		(632,309)	595,249
Cash and cash equivalents at beginning of year		603,242	7,993
Cash and cash equivalents at end of year	31.(B)	(29,067)	603,242

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The Annual Financial Statements have been prepared in accordance with effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

1.2 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

The Board changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.3 Critical judgements, estimations and assumptions

The following are the critical judgements, apart from those involving estimations, that the Accounting Authority has made in the process of applying the Board's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 *Revenue recognition*

Accounting Policy 6.2 on Revenue from Exchange Transactions and Accounting Policy 6.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the Board.

Notes to the Financial Statements for the year ended 31 March 2020

In making their judgment, the Board considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions. In particular, whether the Trust, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The Board is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 *Financial assets and liabilities*

The classification of financial assets and liabilities into categories is based on judgement by the Board.

1.3.3 *Impairment of Financial Assets*

Accounting Policy 8.2.2 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the Board considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The Board is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.3.4 *Useful lives of Property, Plant and Equipment ("PPE")*

As described in Accounting Policies on depreciation, the Board depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.3.5 *Impairment : Write down of PPE and inventories*

Significant estimates and judgements are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.4 *Going concern assumption*

The Annual Financial Statements have been prepared on a going concern basis.

Notes to the Financial Statements for the year ended 31 March 2020

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Presentation of Budget information in Financial Statements

The budget and the financial statements is prepared and approved on the accrual basis. The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020 and is for the Ingonyama Trust Board.

The presentation of budget information will be on the comparisons of budget and actual amounts will be presented in a separate financial statement "statement of comparison of budget and actual amounts" included in the complete set of financial statements as specified in the Standard of GRAP on *Presentation of Financial Statements (GRAP1)*.

2. Presentation Currency

The Annual financial statements are presented in South African Rand, rounded off to the nearest rand which is the Trust's functional currency.

3. Property, Plant and Equipment

3.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets that are held for use for administrative purposes, and are expected to be used during more than one year including a finance leased asset.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Trust, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Board.

Notes to the Financial Statements for the year ended 31 March 2020

Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Board for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses. The Board recognises Property, plant and equipment according to the cost model.

3.3 Depreciation

Depreciation of assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Board.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Notes to the Financial Statements for the year ended 31 March 2020

Depreciation only commences when the asset is available for use, unless stated otherwise.

Plant and Equipment are stated at historical cost and adjusted after taking into account residual values, impairment of assets and depreciation.

The cost of each asset is depreciated to its estimated residual value on the straight line basis over their useful lives after taking into account residual values as follows:

Computer equipment	3 - 5 years
Furniture & equipment	12 years
Computer Software	3 years

Expenditure on major improvements and additions to tangible plant and equipment is capitalised based on the measure of work completed.

Expenditure on major improvements and additions to tangible plant and equipment is capitalised based on the measure of work completed.

Where the assets are the same, or the cost component is not significant as a proportion of total cost, assets are not componentised.

3.4 *De-recognition of property, plant and equipment*

The carrying amount of an item of property, plant and equipment is de-recognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. Gains are not included in revenue.

Notes to the Financial Statements for the year ended 31 March 2020

3.5 Impairment of Non-Cash generating assets

The Board assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Trust estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The Board assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Notes to the Financial Statements for the year ended 31 March 2020

4. Intangible Assets

4.1 *Initial Recognition*

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The Board recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Board and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding three years. Development assets are tested for impairment annually, in accordance with GRAP 31.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 *Subsequent Measurement, Amortisation and Impairment*

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which does not exceed three years including but not restricted to computer software and website design.

Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Notes to the Financial Statements for the year ended 31 March 2020

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 *De - recognition*

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. Revenue Recognition

5.1 *General*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Boards' activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Board recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Board and when specific criteria have been met for each of the Boards activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Board bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the Trust directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Trust received revenue from another entity without directly giving approximately equal value in exchange.

Notes to the Financial Statements for the year ended 31 March 2020

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from Exchange transactions comprises of Leases, Royalties and Other income (servitude compensation).

5.2 Other Income

5.2.1 Finance Income

Interest is earned from funds invested with banks over a short term at fixed interest rate and on current accounts.

Interest is recognised on the accrual basis and capitalised to the Bank account on a monthly basis on the time proportionate basis.

6. Government Grants / (Transfer Payments and Receipts)

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the Board has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust Board with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

7. Financial Instruments

The Board has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

7.1 Financial Assets – Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The Board has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Consumer Debtors

Notes to the Financial Statements for the year ended 31 March 2020

- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the Ingonyama Trust are classified as follows into the four categories allowed by this standard

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Available for sale investments
Other Debtors	Loans and receivables

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables
- Held - to - maturity Investments; or
- Financial Assets at fair value through the statement of financial performance

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the Board has the positive intent and ability to hold the investment to maturity.

Notes to the Financial Statements for the year ended 31 March 2020

Cash includes cash on hand (including petty cash) and cash held with the bank. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with the registered banking institution and subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call banks, net of bank overdrafts. The Ingonyama Trust categorises cash and cash equivalents as financial assets: loans and funds held on the current account, net of a bank overdraft.

7.2 *Financial Liabilities - Classification*

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Board has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Certain other Creditors

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with GRAP 104 the Financial Liabilities of the Ingonyama Trust are all classified as "Other financial liabilities".

7.2.1 *Initial and subsequent measurement*

7.2.1.1 *Financial Assets*

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Notes to the Financial Statements for the year ended 31 March 2020

Financial Assets at Fair Value and Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

7.2.1.2 Financial Liabilities

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

7.2.2 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less provision for debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with smaller credit risk characteristics. Government accounts are not provided for as such accounts and are regarded as receivable.

Notes to the Financial Statements for the year ended 31 March 2020

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered noncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7.2.3 *De-recognition of Financial Assets*

The Board de-recognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when the Board approves the write-off of Financial Assets due to non-recoverability. If the Board neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Board recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Board retains substantially all the risks and rewards of ownership of a transferred financial asset, the Board continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.2.4 *De - recognition of Financial Liabilities*

The Board de-recognises Financial Liabilities when, and only when, the Board's obligations are discharged, canceled or they expire.

7.3 *Risks associated with financial instruments*

It is the policy of the Board to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Board is exposed on the reporting date.

Notes to the Financial Statements for the year ended 31 March 2020

7.3.1 Market risk

The fair value of cash at bank is not affected by market forces as the investment rates are fixed over a short term.

The future cash flows from trade and other receivables will not fluctuate because of changes in market prices as the amounts owing are already determined and fixed at year end and therefore do not expose a risk to the Board.

7.3.2 Credit risk

The Ingonyama Trust's trade debtors arise from the leasing of land for mining and non-mining purposes. Applicants are usually screened before lease applications are approved. Debt collection procedures exist for the collection of outstanding debtors.

7.3.3 Liquidity risk

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 e rates to ensure that cash flow requirements are met.

The Board has sufficient funds to service its financial liabilities. Vat and trade payables have been settled after year end.

7.3.4 Currency risk

The Board does not have any transaction that requires funds to be translated to a foreign currency therefore no currency risk exists.

7.3.5 Interest rate risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates. The Board does not have any interest rate risk as investments are fixed at an agreed rate over the term of investment.

Notes to the Financial Statements for the year ended 31 March 2020

8. Employee benefits

8.1 *Remuneration and Leave pay*

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs. The Board treats its provision for leave pay as an accrual. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

8.2 *Contributions to a defined Provident fund contribution plan*

The Board and its employees have contributed to the Momentum Umbrella Funds at Work provident fund from 1 February 2011.

The fund is a defined Contribution plan. The contributions are expensed and included in the amount reported for under Secretariat administration fees in the detailed statement of financial performance.

8.3 *Contributions to a medical aid scheme*

The Board and its employees contribute to a medical aid scheme. The contributions are expensed and included in the amount reported under Secretariat administration fees in the detailed statement of financial performance.

9. Value Added Tax

The Board accounts for Value Added Tax on the invoice basis.

Notes to the Financial Statements for the year ended 31 March 2020

10. Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

11. Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key personnel are the Chief Executive officer, Chief Financial Officer and all other managers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer. Related party disclosure includes the transactions between the Ingonyama Trust Board and the Ingonyama Trust in terms of the early adoption of GRAP 20 by the accounting authority.

12. Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

13. Comparative Information

13.1 *Prior year comparatives*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Notes to the Financial Statements for the year ended 31 March 2020

13.2 *Contingent Assets and Contingent Liabilities*

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

14. Taxation

No provision is made for taxation as the Ingonyama Trust is exempt from income tax in terms of section 10 of the Income Tax Act.

15. Irregular, fruitless & wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation. Fruitless & wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Irregular and fruitless and wasteful expenditure are recognised against the specific class of events to which they relate and are disclosed in a note to the financial statements when identified.

16. Changes in Accounting Policies, Estimates and Errors

Changes in accounting policies that are effected by the Board have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Trust shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Ingonyama Trust shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Notes to the Financial Statements for the year ended 31 March 2020

17. Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but not yet effective and have not yet been early adopted by the Board:

Document No	Title
GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Application of all of the above GRAP standards will become effective from a future date to be announced or already announced by the Minister of Finance. The Board has considered all the above mentioned GRAP standards issued but not yet effective and anticipated that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flow of the Ingonyama Trust. The accounting authority has adopted GRAP 20 to account for the related party transactions between the Ingonyama Trust Board and Ingonyama Trust.

Notes to the Financial Statements for the year ended 31 March 2020

18. Property, Plant and Equipment

Furniture and Equipment

Computer equipment

Property, Plant and equipment is reconciled as follows:

Furniture and Equipment

Computer equipment

The Board has reviewed the depreciation method, residual values and useful lives of its assets as at 31 March 2020.

Prior year comparison

Furniture and Equipment

86 Computer equipment

	Cost R	Accumulated depreciation R	2020 Net book value R
Furniture and Equipment	45,476	(37,728)	7,748
Computer equipment	20,866	(19,699)	1,167
	66,342	(57,427)	8,915

	Opening carrying value	Depreciation	Closing carrying value
Furniture and Equipment	9,914	(2,166)	7,748
Computer equipment	5,912	(4,745)	1,167
	15,826	(6,911)	8,915

	R 2019 Cost	R 2019 Accumulated depreciation	R 2019 Net book value
Furniture and Equipment	45,476	(35,562)	9,914
Computer equipment	20,866	(14,954)	5,912
	66,342	(50,516)	15,826

PART E

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS



Notes to the Financial Statements for the year ended 31 March 2020

Property , Plant and equipment is reconciled as follows:

	2019 Opening carrying value R	2019 Depreciation R	2019 Closing value R
Furniture and Equipment	12,860	(2,946)	9,914
Computer equipment	7,511	(1,599)	5,912
	20,371	(4,545)	15,826

19. Intangible Assets

Computer software

Intangible assets are reconciled as follows:

Computer software

Prior year comparison

Computer software

	R Cost	R Accumulated Amortisation	2020 R Net book value
	47,062	(47,062)	-
	47,062	(47,062)	-
Opening Carrying value	Amortisation	Closing Carrying value	
15,402	(15,402)	-	
15,402	(15,402)	-	
2019 Cost	2019 Accumulated Amortisation	2019 Net book value	
47,062	(31,660)	15,402	
47,062	(31,660)	15,402	

Notes to the Financial Statements for the year ended 31 March 2020

Intangible assets are reconciled as follows:

Computer software

Opening Carrying value	Amortisation	Closing carrying value
19,324	(3,922)	15,402
19,324	(3,922)	15,402

20. Depreciation

The depreciation charge is calculated as follows:

Furniture and Equipment

Computer Equipment

Intangible Assets

2020 R	2019 R
22,316	2,945
-	1,599
-	3,923
22,316	8,467
22,316	8,467
22,316	8,467

Depreciation is disclosed on the statement of budget and actual amounts (Page 98)

21. Receivables

21.1. Receivables from exchange transactions

Other receivables

Private use of telephone and staff deductions

Msunduzi Municipality - Water and electricity refund

First National Bank - credit card

-	2,302
-	149,294
85,312	6,200

Notes to the Financial Statements for the year ended 31 March 2020

	2020 R	2019 R
Ingonyama Trust	1,213,194	1,213,194
	1,298,506	1,370,990
21.2. Receivables from non exchange transactions		
South African Revenue Services - VAT Refund	1,399,080	160,238
22. Cash and cash equivalents		
Current Accounts	-	598,197
Petty cash	2,616	5,045
	2,616	603,242
Current accounts (Due to COVID 19 lockdown there was no personnel to transfer monies)	(31,683)	-
	(31,683)	-
Total cash and cash equivalents	(29,067)	603,242

Cash and Cash equivalents are current in nature. The average interest rate during the year was between 2.50 % and 3.75 %. Cash and Cash equivalents were not encumbered/secured during the year. Cash and cash equivalent balances held by the Board is available for use. There are no restricted cash balances as at 31 March 2020.

Notes to the Financial Statements for the year ended 31 March 2020

23. Payables from exchange transactions

	2020 R	2019 R
Trade creditors	813,168	793,902
Leave pay provision	1,623,898	1,185,100
Credit Card facility - FNB	1,806	102,811
Accrued expenses - PAYE	688,245	-
	3,127,117	2,081,813

A credit card facility of R 500 000.00 is granted by First National Bank. The facility is used to pay for operational expenditure on a short term basis.

24. Board members' fee

	5,726,447	4,757,418
Chairperson - Mr S J Ngwenya	1,954,433	1,562,898
Basic	1,655,228	1,269,907
Subsistence and Travel	299,205	292,991
Advocate W E R Raubenheimer	386,119	347,495
Basic	382,403	342,324
Subsistence and Travel	3,716	5,171

PART E

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS



Notes to the Financial Statements for the year ended 31 March 2020

	2020 R	2019 R
Dr M S Mbatha	144,294	259,069
Basic	129,819	225,569
Subsistence and Travel	14,475	33,500
Mr B L Shabalala	573,029	378,583
Basic	440,158	261,415
Subsistence and Travel	132,871	117,168
Ms J Bhengu	207,462	392,890
Basic	201,078	377,517
Subsistence and Travel	6,384	15,373
Inkosi P R Bele	713,668	495,871
Basic	590,345	383,606
Subsistence and Travel	123,323	112,265
Inkosi Z T Gumede	574,373	356,748
Basic	376,124	181,172
Subsistence and Travel	198,249	175,576

Notes to the Financial Statements for the year ended 31 March 2020

Inkosi S E Shabalala

Basic

Subsistence and Travel

Inkosi W T Mavundla

Basic

Subsistence and Travel

	2020 R	2019 R
	416,055	302,430
	304,837	223,436
	111,218	78,994
	757,014	661,434
	588,191	460,744
	168,823	200,690

Notes to the Financial Statements for the year ended 31 March 2020

25. Gross remuneration of senior managers

	2020 R	2019 R
	5,403,627	4,165,169
Chief Executive Officer	1,860,060	406,039
Basic	1,842,208	402,174
Company Contribution to UIF and skills levy	17,852	3,865
Chief Financial Officer	1,093,303	1,115,506
Basic	755,097	800,499
Travel and cellphone allowance	326,013	302,814
Company Contribution to UIF and skills levy	12,193	12,193
Head Land Management Services	1,471,740	1,559,555
Basic	1,462,500	1,462,500
Travel and cellphone allowance	-	79,847
Company Contribution to UIF and skills levy	9,240	17,208
Manager - Corporate Services	978,524	1,084,069
Basic	969,270	1,073,220
Company Contribution to UIF and skills levy	9,254	10,849

26. Contributions to the defined Provident Contribution Plan.

The total contributions (employer and employee portion) to the defined contribution plan for the year amounted to R 1,666,254.50

27. Events after the Reporting Date

No significant matters arose subsequent to year end that require specific disclosure in the Annual Financial Statements.

28. Related Parties

- a) A Land Availability Agreement has been granted to Ketshe Investments CC. Mr S.J Ngwenya, a Board member, is a shareholder of this company. There is no consideration for Land Availability Agreements in terms of the Board's policy.
- b) A lease agreement was granted to Zwelibanzi Utilities (Pty) Ltd . Mr S. J Ngwenya, a Board member is a shareholder of this company. Rental amounting to R 21 323 is payable for the 2019/2020 financial year. At year end an amount of R 184 187 was owing to the Trust.
- c) The board received a verbal report from the Acting Head: Land Management to the effect that the relative area of the land has been reduced by expropriation on the part of the Department of Transport. This has led to an application for a revision of the extent/size of the property and the related rental. At the time of preparing of the financial statements , this has been served before the committee headed by the Deputy Chairperson who has since resigned and the matter had accordingly not been finalised. A new rental will have to be determined and the board therefore resolved that the Tenure Committee should give urgent attention to the resolution of this matter. There is no provision made for doubtful debts relating to related parties.
- d) A related party transaction exists between the Ingonyama Trust Board and the Ingonyama Trust . The Ingonyama Trust Board administers the affairs of the Ingonyama Trust and Trust land. The Ingonyama Trust Board is partially funded by the State and the shortfall of R 20,5 m for the current year was paid for by the Ingonyama Trust.

In administering the Trust, the Ingonyama Trust Board incurs operational and administrative expenditure noted in the statement of Financial performance. The Ingonyama Trust which is regulated by Treasury regulation 14 mainly incurs expenditure on the core business " land management". The Ingonyama Trust Board is the employer and therefore employee cost is accordingly reflected in the books of the Ingonyama Trust Board.

PART E

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS



Notes to the Financial Statements for the year ended 31 March 2020

29. Commitments.

	2020 R	2019 R
(i) not later than one year;	1,044,343	73,941
(ii) later than one year and not later than five years	1,033,073	54,042

The commitments relate to signed contracts for operational expenditure.

30. Reconciliation of budget surplus with surplus in the statement of financial performance

Surplus per the statement of financial performance	(518,578)	-
Adjusted for:		
Budgeted income not received		-
Actual expenditure under budget	474,871	-
Net surplus per approved budget	(43,707)	-

The Ingonyama Trust Board does not budget for an operating surplus or loss.

31. Notes to the Cash Flow Statement

(A) Reconciliation of net cash flows from operating activities to surplus

Surplus (non-cash)	(518,578)	-
Non-cash movements		
Depreciation/amortisation	7,324	8,467
Increase in payables	1,045,302	425,792

Notes to the Financial Statements for the year ended 31 March 2020

Decrease in receivables from exchange transactions	72,484	191,054
Increase in receivables from non-exchange transactions	(1,238,841)	(30,064)
Net cash flows from operating activities	(632,309)	595,249

(B) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating the financial position :

Cash on hand and balances with the bank	2,616	603,242
	2,616	603,242

32. Irregular Expenditure

Opening balance	1,900,533	-
Current year	943,824	1,900,533
Closing balance	2,844,357	1,900,533

An investigation is currently on hand and has not been finalised as at 31 March 2020.

33. Fruitless and wasteful expenditure

	25,875	-
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During the 19/20 financial year the board incurred fruitless and wasteful expenditure of R 25,875.

34. Change in accounting estimate - Re-assessment of useful of assets

A change in estimate on the useful life of computer equipment and intangible assets has resulted in the Property, plant and equipment a R22,316.

Monies due to the Ingonyama Trust Board by Wesbank for the unauthorised use of the ITB's petrol card accounts by unknown person/s. Monies have been refunded during the course of the current year.

The entity had a short term borrowing facility (bank overdraft) as at 31 March 2020

Notes to the Financial Statements for the year ended 31 March 2020

35. Expenses funded from Transfer Payment and Ingonyama Trust - reimbursements	46,624,906	41,036,700
Bank Charges	10,560	16,470
Board members' fees - (including travel allowances)	5,306,221	4,757,418
Motor vehicle expenses	183,401	360,831
Secretariat administration fees	31,883,503	26,538,905
Audit Fees - external	2,740,813	1,953,912
Internal Audit Committee members' fees	22,074	104,883
Computer software/licencing and maintenance	143,146	264,002
General expenses	1,169	-
Depreciation/amortisation of Assets	22,316	8,467
Stationery & Printing	683,701	555,773
Travel,accommodation & meeting expenses	2,309,946	3,006,394
Telephone	352,354	313,383
Security expenses	877,135	764,993
Cleaning,repairs and general expenses	565,682	644,302
Electricity and water	709,341	501,994
Internal Audit fees	276,076	497,8654
Organogram - restructuring cost	13,450	541,135
Accounting fees - GRAP	341,707	170,615
Staff training	182,311	35,360

Notes to the Financial Statements for the year ended 31 March 2020

Notes	Approved baseline Budget	Shift of funds	Final Budget	Actual 2020	Variance 2020	Actual 2019
Revenue						
Transfer payments received	21,489,000	-	21,489,000	21,489,000	-	20,349,000
Investment income	100,920	-	100,920	90,743	(10,177)	112,963
Ingonyama Trust Payment for re-imburement of Trust expenses	44,026,732	-	44,026,732	24,511,595	(19,515,137)	20,514,805
Total Revenue	65,616,652	-	65,616,652	46,091,338	(19,525,314)	40,976,768
Total Expenditure	65,616,652	-	65,616,652	46,624,906	20,001,567	41,036,700
Bank charges	17,286	-	17,286	10,5620	6,724	16,470
Board members' fees (including travel allowances)	5,331,581	-	5,331,581	5,306,221	25,360	4,757,418
Motor vehicle expenses	445,284	-	445,284	183,401	261,883	360,831
Secretariat administration fees	50,848,793	-	50,848,793	31,883,503	18,965,290	26,538,905
Audit Fees - external	1,747,365	-	1,747,365	2,740,813	-993,448	1,953,912
current	1,747,365	-	1,747,365	2,740,813	-	292,308
previous years	-	-	-	-	-	1,661,603
Internal Audit Committee members' fees	55,226	-	55,226	22,074	33,152	104,883
Computer software/licencing and maintenance	316,500	(166,150)	150,351	143,146	7,204	264,002
General expenses	77,912	-	77,912	1,169	76,743	-
Depreciation/amortisation of Assets	4,573	2,753	7,326	22,316	-14,990	8,467

PART E

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST BOARD | VOTED FUNDS



Notes to the Financial Statements for the year ended 31 March 2020

Notes	Approved baseline Budget	Shift of funds	Final Budget	Actual 2020	Variance 2020	Actual 2019
Stationery & Printing	697,960	-	697,960	683,701	14,259	555,773
Travel,accommodation & meeting expenses	2,548,582	-	2,548,582	2,309,946	238,637	3,006,394
Telephone	291,180	61,174	352,354	352,354	-	313,383
Security expenses	772,260	104,875	877,135	877,135	-	764,993
Cleaning,repairs and general expenses	759,600	(95,715)	663,885	565,682	98,203	644,302
Electricity and water	616,380	92,962	709,342	709,341	1	501,994
Internal Audit fees	284,106	-	284,106	276,076	8,030	497,864
Organogram - restructuring cost	-	13,450	13,450	13,450	-	541,135
Rent - Ulundi office	189,900	-	189,900	-	189,900	-
Accounting fees- GRAP	-	341,707	341,707	341,707	-	170,615
Staff Training	612,164	(355,056)	257,108	182,311	74,797	35,360
Retained earnings for the year	-	-	-	(533,568)	(39,526,881)	(59,932)

PART F

INGONYAMA TRUST
ANNUAL FINANCIAL STATEMENTS
31 MARCH 2020 FOR NOTING

Statement of Board's responsibility for financial and performance information

The Accounting Authority is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The Auditor - General of South Africa is responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Generally Recognised Accounting Practice Standards.

The Accounting Authority is also responsible for the Trust's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and prevent and detect misstatements and loss. Nothing has come to the attention of the Accounting Authority to indicate any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The financial statements set out on page 110 to 156 were approved by the Accounting Authority on 31 July 2020 and signed on its behalf by the Chairperson of the Accounting Authority.

General Information

Members of the Ingonyama Trust Board as at 31 March 2020 :

His Majesty the King (Trustee)

Hon. Mr S.J. Ngwenya (Chairperson - Royal nominee)

Ms J.T.J. Bhengu (Vice chairperson) - Resigned 31 August 2019

Adv. W.E.R. Raubenheimer

Mr B.L. Shabalala

Inkosi T. W Mavundla

Inkosi P.R. Bele

Inkosi Z.T. Gumede

Inkosi S. E Shabalala

Dr M.S. Mbatha - Resigned 10 September 2019

Auditors:

The Auditor - General of South Africa

Bankers:

First National Bank - a division of FirstRand Bank Ltd
Nedbank Ltd
Absa Bank Ltd
Investec Bank Limited
Standard Bank of South Africa Ltd

Registered Office:

65 Trelawney Road
Pietermaritzburg
3201

Approval of the Annual Financial Statements

The Ingonyama Trust was created by the Kwazulu Legislative Assembly as a repository for the communal land of the Zulu Nation with His Majesty the King as sole Trustee. This was by way of the Kwazulu -Natal (KZ) Ingonyama Trust Act 3 of 1994. In 1997 the democratic National Parliament amended this Act, so that it is consistent with modern constitutional order.

This amendment involved changes to all sections of the Act by way of the Kwazulu-Natal Ingonyama Trust Amendment Act No 9 of 1997. Importantly this Act established the Trust Board appointed by the then Minister of land affairs following a consultative process with the KZN Premier – in – Executive Council and the Chairperson of the KZN House of Traditional Leaders. The King remains the sole Trustee and he (or his nominee) chairs the Board. The 1997 Amendment Act also excluded application of private trust legislation to the Ingonyama Trust. The effect of these amendment among others was to create a Board which is a separate and independent legal entity. The members of the Board are not trustees but are appointed by the Minister responsible for Rural Development and Land Reform Affairs. The function of the Board is to administer the affairs of the Ingonyama Trust and Trust land. This is a unique situation since trusts are ordinarily controlled by boards of trustees.

The Annual Financial Statements of the Board is dealt with elsewhere. These Annual

Approval of Annual Financial Statements

The Annual Financial Statements for the year ended 31 March 2020 were approved by the Accounting authority on 31 July 2020


Chairperson of Ingonyama Trust
Mr S J Ngwenya

Financial Statements relate to the Ingonyama Trust. The Ingonyama Trust Board is the Accounting Authority of the Trust. The Ingonyama Trust is the registered owner of the land on behalf of the beneficiaries as listed as per the annexure to this report. Therefore in strict law is a nominal owner since the land in question is held for the beneficial tribes and the members thereof. There are instances where there are no listed beneficial tribes, and in such a case the Trustee has a discretion in consultation with the Board with regards to the identity of the beneficiaries.

From time to time the income earned is distributed to community beneficiaries in terms of the Board's disbursement policy.

The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice and in a manner required by the Ingonyama Trust Act, Act 3 of 1994 and Treasury regulation 14 which reads as follows : -

"For purposes of this regulation, trust money or property is money or property that does not belong to the State and that is held by an institution on behalf of other persons or entities in terms of a deed of trust or equivalent instrument that details the specific purposes for which it may be used".

Report of the Auditor General to Parliament on Ingonyama Trust

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of Ingonyama Trust set out on pages 110 to 153, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the Ingonyama Trust as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994) (KITA).

Basis for adverse opinion Property, plant and equipment

3. The trust did not recognise and measure property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. Land controlled by the trust was not reflected in the financial statements and land values were incorrectly determined due to inadequate controls in place to value the land. Consequently, I was not able to determine

the full extent of the property, plant and equipment of R24,43 billion (2019: R24,43 billion) as shown in note 21 to the financial statements, as it was impracticable to do so.

4. The trust did not recognise land held to earn rentals in accordance with the requirements of GRAP 16, Investment property, by recognising it at fair value from the acquisition date. Consequently, property, plant and equipment is overstated and investment property understated. I could not determine the correct fair value and the full extent of land as it was impractical to do so.

Expenditure

5. The trust did not recognise expenditure of R107,19 million (2019: R156,50 million) relating to municipal property rates in the financial statements which is not in accordance with GRAP 1, Presentation of financial statements. Adequate systems and controls were not in place to ensure that all municipal property rates payable were identified and recognised in the financial statements. Consequently, total expenditure and current liabilities are understated. I was not able to determine the full extent of the municipal property rates payable as it was impracticable to do so. There was also a resultant impact on the surplus for the period and on the accumulated surplus.

Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

7. I am independent of the entity in accordance with sections 290 and 291 of the Code of

ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

10. The supplementary information set out on pages 154 to 156 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the KITA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting authority is responsible for assessing the Ingonyama Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

15. The trust is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and such reporting is also not required in terms of the entity's specific legislation.

Report on the audit of compliance with legislation

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

17. I did not identify any material findings on compliance with the specific matters in key

legislation set out in the general notice issued in terms of the PAA.

Other information

18. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.

19. My opinion on the financial statements do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

20. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

21. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

22. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

23. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion included in this report.

24. The leadership did not establish effective oversight and monitoring over financial

reporting processes.

25. The process followed by management was inadequate to monitor the preparation of financial statements.

Other reports

26. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, compliance with applicable legislation and other related matters. This report does not form part of my opinion on the financial statements.

27. An investigation is being conducted by the accounting authority, which covers the period 1 April 2017 to 31 March 2018. The investigation relates to an allegation of possible misappropriation of the trust's assets. The outcome of the investigation is expected in the 2020-21 financial year due to delays experienced in finalising the investigation in the current financial year.

28. The accounting authority is conducting an investigation into the alleged supply chain management related irregularities, which occurred during the 2018-19 and 2019-20 financial years.

Auditor-General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pietermaritzburg
14 October 2020

Response of the Ingonyama Trust to aspects of the Auditor General's Report

The Ingonyama Trust is a non- trading statutory Trust created to own land for the benefit of its beneficiaries. Its finances are regulated by Treasury regulation 14 which reads as follows:

Responsibility for trust money and property [Section 76(1)(c) of the PFMA]

"14.2.1 For purposes of this regulation, trust money or property is money or property that does not belong to the State and that is held by an institution on behalf of other persons or entities in terms of a deed of trust or equivalent instrument that details the specific purposes for which it may be used."

The expenditure of the Ingonyama Trust is not funded by the state and is paid for from self- generated land related income sources. The Public Finance Management Act (PFMA) does not apply to the Ingonyama Trust.

The AGSA has qualified the books of the Trust on matters based on its interpretation of GRAP standards, on which the accounting authority has its own views due to the legal nature and circumstances impacting on these matters. The qualification matters go beyond their basic interpretation in terms of the GRAP disclosure requirements because they are impacted on by current circumstances noted below.

Property, Plant and Equipment

The Ingonyama Trust has a land register in place which was submitted for audit purposes. Land that vested to the Ingonyama Trust in terms of the Ingonyama Trust Act has been noted in the land register. Ingonyama Trust has relied on accepted methods of determining the land extent as evidenced in the title deeds relating to specific portions of the land. Land controlled by the Trust was also reflected in the annual financial statements which were submitted to the AGSA as evidence of ownership.

Investment property

Ingonyama Trust land was not acquired but vested to the Ingonyama Trust in terms of the Ingonyama Trust Act.

Land owned by the Ingonyama Trust is held in Trust for community beneficiaries and was never intended to be held for rental purposes.

The land held in Trust is held for multiple purposes at any given time, where portions of the land, and these are very insignificant, are leased out, the control is excised by the Traditional Authorities which are the true institutions that control the Trust land.

It is for this reason that any encumbrance of the Trust land, must as a matter of law (section 2 (5), be preceded by a prior written consent of the relevant Traditional Authority. Therefore, the conclusion is that the subject land is not investment property and has therefore not been disclosed under Property, Plant and Equipment.

Expenditure - Municipal rates

As a starting point the accounting authority did not disclose the rates liability simply to not ignore the requirements of GRAP, but has noted the substance of the transaction before recognizing the rates claims as a liability.

The submission of invoices to a rate payer does not automatically make the ratepayer liable to pay rates.

Municipalities are required to comply with relevant legislation that imposes various processes to be followed before ant rates payments becomes due and payable by land owners. Municipalities must also provide evidence that all the legislated requirements have been met before municipalities can correctly recognize debtors in their books.

It has become evident that most municipalities have not followed the relevant procedures. A case in point is the matter in court between the Ingonyama Trust and Mandeni Municipality.

The Board does not recognize a liability by simply receiving invoices and is also aware of the inaccurate invoices submitted by municipalities in relation to property extents and valuations.

Significant amount of verification of accounts needs to be undertaken before any liability can be recognized.

The Board has engaged with COGTA and municipalities to resolve this matter, hence a liability has not been recognized. It also important to note that some municipalities have not rated the Ingonyama Trust, therefore no liability arises to the Ingonyama Trust.

General

The Board has noted that for many years the audit qualification matters have become a subject of dispute for which there has been no common mutual understanding by the Board and the AGSA. The Board is therefore convinced that these matters can only be amicably resolved by means of invoking the dispute resolution process in terms of the signed engagement letter.

Statement of financial position as at 31 March 2020

	Notes	2020 R	2019 R
Assets			
Non - current assets			
Property, plant and equipment	3 & 21.1	24,426,903,482	24,429,212,073
Heritage Assets	3 & 23	15,988,144	15,988,144
Intangible Assets	4 & 24	323,717	760,257
Long Term Debtors	26	499,853,146	423,795,153
		347,210,264	317,949,757
Current Assets			
Receivables from exchange transactions	27.1	180,921,233	132,646,066
Receivables from non-exchange transactions	27.2	723,597	2,044,838
Cash and cash equivalents	28	165,565,434	183,258,853
		25,290,278,753	25,187,705,384
Total Assets			
Liabilities			
Current liabilities			
Payables from exchange transactions	29	22,159,338	24,054,010
		22,159,338	24,054,010
		25,268,119,415	25,163,651,374
Net assets			
Accumulated Fund		25,268,119,415	25,163,651,374
		25,268,119,415	25,163,651,374
Total net assets			

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Statement of financial performance for the year ended 31 March 2020

	Notes	2020 R	2019 R
Revenue			
Rental revenue		172,124,445	114,807,839
Leases (includes straight lining income)	11 & 27	172,124,445	114,807,839
Contractual royalty revenue - (from mining activities on IT land)	6.2.2	769,689	1,170,437
Other income		16,892,413	16,725,865
Servitude compensation and other income		2,883,041	1,678,213
Sugar cane sales		706,147	-
Interest on Bank and Short term investments		12,560,853	14,285,384
Interest on overdue debtors accounts		742,372	762,268
Total revenue		189,786,547	132,704,141
Expenditure		82,486,513	(55,963,412)
Trust Administration and disbursement expenditure	30	(82,486,513)	(55,963,412)
Available funds transferred to Note 1		107,300,034	76,740,729
Accumulated Fund			

¹ The available funds is mainly non-cash that arise because of the straight lining of lease income. This is not the actual surplus generated by the Trust.

Statement of changes in net assets for the year ended 31 March 2020

	Accumulated Fund R
Opening balance : 01.04.2018	25,093,809,793
Movements for the year - 2018/2019	69,841,581
Less : Payments to community beneficiaries	(6,234,473)
Current year retained earnings transferred to Accumulated Fund	76,076,054
Opening balance : 01.04.2019	25,163,651,374
Movements for the year - 2019/2020	104,468,041
Less : Payments to community beneficiaries	(3,075,491)
Recoveries	243,498
Current year retained earnings transferred to Accumulated Fund	107,300,034
Balance : 31.03.2020	25,268,119,415

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Cash flow statement for the year ended 31 March 2020

	Notes	2020 R	2019 R
Cash flow from operating activities			
Receipts		47,163,337	56,493,814
Services		34,316,113	43,723,428
Interest Received		12,847,224	12,770,386
Payments		(61,783,839)	(59,792,377)
Suppliers		(61,783,839)	(59,792,377)
Cash flows from operating activities	40.(A)	(14,620,502)	(3,298,563)
Cash flows from investing activities			
Purchase of Property, plant & equipment	40.(B)	(3,268,417)	(18,877,212)
Proceeds from disposal of property, plant & equipment		195,500	-
Net cash flows from investing activities		(17,693,419)	(22,175,775)
Decrease in cash and cash equivalents		(17,693,419)	(22,175,775)
Cash and cash equivalents at beginning of the year		183,258,853	205,434,628
Cash and cash equivalents at end of year	40.(C)	165,565,434	183,258,853

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The Annual Financial Statements have been prepared in accordance with effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

Two entities have been created by KwaZulu the Ingonyama Trust Act, of 1994 as amended by Kwazulu Natal Amendment Act 1997, namely, Ingonyama Trust and Ingonyama Trust Board.

The Ingonyama Trust Board administers the affairs of the Ingonyama Trust and Trust land in terms of section 2A. (2) of the Ingonyama Trust Act No.3kz of 1994.

The controlled entity is the Ingonyama Trust. The reporting date of the Ingonyama Trust is the same as that of the Ingonyama Trust Board, (PFMA listed entity).

The Ingonyama Trust Board was listed by the Government Notice No. 402 of 16 February 2001, effective 1 April 2001.

The Kwazulu Ingonyama Trust was listed by the same government gazette but subsequently delisted by government gazette 1261 date 17 April 2003.

The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practise and in a manner required by KwaZulu the Ingonyama Trust act, Act 3 of 1994 (Kz) and Treasury regulation which reads as follows:-

Responsibility of Trust money and property

- For purposes of this regulation, trust money or property is money or property that does not belong to the State and that is held by an institution on behalf of other persons or entities in terms of a deed of trust or equivalent instrument that details the specific purposes for which it may be used.

Notes to the Financial Statements for the year ended 31 March 2020

- The accounting officer, through the chief financial officer or a duly authorised agent, is responsible for the safekeeping and proper use of trust money and property, in accordance with the relevant deed of trust or equivalent instrument.
- The institution, or its duly authorised agent, may charge a fee for the administration of a trust account at rates approved by the board of trustees or, in its absence, as agreed with the trustee. Such fees are payable from the trust account and are revenue accruing to the relevant revenue fund.

1.2 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

The Accounting Authority changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.3 Critical judgements, estimations and assumptions

The following are the critical judgements, apart from those involving estimations, that the Accounting Authority has made in the process of applying the Board's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue recognition

Accounting Policy 6.2 on Revenue from Exchange Transactions and Accounting Policy 6.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the Board.

Notes to the Financial Statements for the year ended 31 March 2020

In making their judgment, the Accounting Authority considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the Ingonyama Trust, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The Accounting Authority is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by the Accounting Authority.

1.3.3 Impairment of Financial Assets

Accounting Policy 8.2.2 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the Accounting Authority considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The Accounting Authority is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.3.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies on depreciation, the Trust depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.3.5 Impairment : Write down of PPE and inventories

Significant estimates and judgements are made relating to PPE impairment tests and write down of inventories to net realisable values.

Notes to the Financial Statements for the year ended 31 March 2020

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Presentation of Budget information in Financial Statements

The budget and the financial statements is prepared and approved on the accrual basis. The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020 and is for the Ingonyama Trust.

The presentation of budget information will be on the comparisons of budget and actual amounts will be presented in a separate financial statement "statement of comparison of budget and actual amounts" included in the complete set of financial statements as specified in the Standard of GRAP on *Presentation of Financial Statements (GRAP1)*.

1.7 Commitments

Capital and operational commitments

The capital commitments at year end relate to contracts where the service was not rendered and relates to the outstanding value of the contract at year end

2. Presentation Currency

The Annual financial statements are presented in South African Rand, rounded off to the nearest rand which is the Trust's functional currency.

3. Property, Plant and Equipment

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use for administrative purposes, and are expected to be used during more than one year including a finance leased asset.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Trust, and if the cost or fair value of the item can be measured reliably. Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Accounting Authority.

Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Ingonyama Trust for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value.

3.1.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

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Notes to the Financial Statements for the year ended 31 March 2020

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses. The Ingonyama Trust recognises Property, plant and equipment according to the cost model.

3.1.3 Depreciation

Land owned by Ingonyama Trust is not depreciated as it is regarded as having an indefinite life.

Depreciation of assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Trust.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives. Depreciation only commences when the asset is available for use, unless stated otherwise.

Plant and Equipment are stated at historical cost and adjusted after taking into account residual values, impairment of assets and depreciation.

The cost of each asset is depreciated to its estimated residual value on the straight line basis over their useful lives after taking into account residual values as follows:

Buildings	- 25 years
Motor Vehicles	- 5 years
Computer equipment	- 3 - 5 years
Furniture & equipment	- 12 years
Park Home offices	- 15 years
Agriculture machinery and Equipment	- 6 years

Notes to the Financial Statements for the year ended 31 March 2020

Expenditure on major improvements and additions to tangible plant and equipment is capitalised based on the measure of work completed.

The depreciation charge is based on the componentisation approach where appropriate.

Where the assets are the same, or the cost component is not significant as a proportion of total cost, assets are not componentised. Buildings used for office accommodation has been depreciated from date of beneficial occupation and use.

3.1.4 De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is de-recognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. Gains are not included in revenue.

3.1.5 Impairment of Non-Cash generating assets

The Accounting Authority assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Trust estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Notes to the Financial Statements for the year ended 31 March 2020

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro- rata on the basis of the carrying amount of each asset in the unit.

The Accounting Authority assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.2 Heritage Assets

3.2.1. Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held for the benefit of present and future generations.

3.2.2. Depreciation

Heritage assets are held indefinitely for the benefit of present and future generations and are not depreciated.

3.2.3. De - recognition

The carrying amount of a heritage asset shall be de-recognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its used or disposal.

4. Intangible Assets

4.1 *Initial Recognition*

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The Ingonyama Trust recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Ingonyama Trust and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding three years. Development assets are tested for impairment annually, in accordance with GRAP 31.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 *Subsequent Measurement, Amortisation and Impairment*

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which does not exceed three years including but not restricted to computer software and website design.

Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Notes to the Financial Statements for the year ended 31 March 2020

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 *De-recognition*

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. **Property (land Holdings) – other than office accommodation at 65 Trelawney Road.**

Property (land holdings) registered in the name of the Ingonyama Trust are recognized as assets of the Trust. The cost of Property has not been disclosed in the Financial Statements as it was not acquired at a price, but vested in the Ingonyama Trust in terms of the Ingonyama Trust Act.

The fair value of the Ingonyama Trust Property has been disclosed in the Financial Statement based on the average Municipal land value per hectare.

6. **Revenue Recognition**

6.1 *General*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Ingonyama Trust's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Notes to the Financial Statements for the year ended 31 March 2020

The Ingonyama Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Ingonyama Trust and when specific criteria have been met for each of the Trust's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Ingonyama Trust bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the Trust directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Trust received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from Exchange transactions comprises Leases, contractual Royalties and Other income (servitude compensation etc.).

6.2 Revenue from Exchange Transactions

6.2.1 Leases

Revenue from the rental of land as operating leases is recognised on a straight line basis over the term of the lease agreement, where such lease periods span over more than one financial year. The Trust leases its land for commercial and non-commercial purposes. This revenue relates to non-mining revenue.

The straight lining of leases has increased the reported revenue for lease income.

The difference between the straight lining and normal charge has been disclosed in note 35.

The Ingonyama Trust has not entered into any new finance lease agreements.

6.2.2 Contractual royalty revenue – From mining activities on Ingonyama Trust land

The Ingonyama Trust leases its land to mining and prospecting operators. Contractual royalty revenue is recognised as income of the Ingonyama Trust.

Notes to the Financial Statements for the year ended 31 March 2020

6.2.3 Other Income

This refers to all other income not classified above including servitude compensation and Interest Income.

6.2.3.1 Finance Income

Interest is earned from funds invested with banks over a short term at fixed interest rate and on current accounts.

Interest on investments is recognised on the accrual basis and capitalised to investments on maturity on the time proportionate basis that takes into account the effective yield on the investment.

This refers to all other income not classified above including servitude compensation.

7. Government Grants / (Transfer Payments and Receipts)

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the Ingonyama Trust Board has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust Board with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Ingonyama Trust interest is recognized as interest earned on the Statement of Financial Performance.

8. Financial Instruments

The Trust has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Notes to the Financial Statements for the year ended 31 March 2020

8.1 *Financial Assets – Classification*

A financial asset is any asset consisting of cash or a contractual right to receive cash. The Ingonyama Trust has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits
- Consumer Debtors
- Certain Other Debtors
- Short-term investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the Ingonyama Trust are classified as follows into the four categories allowed by this standard

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Available for sale investments
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Notes to the Financial Statements for the year ended 31 March 2020

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Investments and fixed deposits
- Trade Debtors
- Certain other Debtors
- Short-term Investment Deposits
- Bank Balances and cash

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the Trust has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash held with the bank. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with the registered banking institution and subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call banks, net of bank overdrafts. The Ingonyama Trust categorises cash and cash equivalents as financial assets: loans and funds held on the current account, net of a bank overdraft.

8.2 *Financial Liabilities - Classification*

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Ingonyama Trust has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Certain other Creditors

Notes to the Financial Statements for the year ended 31 March 2020

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with GRAP 104 the Financial Liabilities of the Ingonyama Trust are all classified as "Other financial liabilities".

8.2.1 *Initial and subsequent measurement*

8.2.1.1 *Financial Assets*

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Fair Value and Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

8.2.1.2 *Financial Liabilities*

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

8.2.2 *Impairment of Financial Assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Notes to the Financial Statements for the year ended 31 March 2020

A provision for impairment of trade receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less provision for debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with smaller credit risk characteristics. Government accounts are not provided for as such accounts and are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered noncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

8.2.3 De-recognition of Financial Assets

The Ingonyama Trust de-recognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when the Trust approves the write-off of Financial Assets due to non-recoverability. If the Ingonyama Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Board continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8.2.4 *De - recognition of Financial Liabilities*

The Ingonyama Trust de-recognises Financial Liabilities when, and only when, the Trust's obligations are discharged, canceled or they expire.

8.3 *Risks associated with financial instruments*

It is the policy of the Trust to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Trust is exposed on the reporting date.

8.3.1 *Market risk*

The fair value of cash at bank is not affected by market forces as the investment rates are fixed over a short term.

The future cash flows from trade and other receivables will not fluctuate because of changes in market prices as the amounts owing are already determined and fixed at year end and therefore do not expose a risk to the Ingonyama Trust.

8.3.2 *Credit risk*

The Ingonyama Trust's trade debtors arise from the leasing of land for mining and non-mining purposes. Applicants are usually screened before lease applications are approved. Debt collection procedures exist for the collection of outstanding debtors.

8.3.3 *Liquidity risk*

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

The Ingonyama Trust has sufficient funds to service its financial liabilities. Vat and trade payables have been settled after year end.

Notes to the Financial Statements for the year ended 31 March 2020

8.3.4 Currency risk

The Ingonyama Trust does not have any transaction that requires funds to be translated to a foreign currency therefore no currency risk exists.

8.3.5 Interest rate risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates. The Ingonyama Trust does not have any interest rate risk as investments are fixed at an agreed rate over the term of investment.

9. Provisions

Provisions are recognised when the Ingonyama Trust has a present or constructive obligation as a result of past events, it is probable that an overflow 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. There are no provisions recorder in the current Financial Statements.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is a sufficient objective evidence that they will occur. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are renewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

10. Employee benefits

10.1 Remuneration and Leave pay

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs. The Ingonyama Trust treats its provision for leave pay as an accrual.

Notes to the Financial Statements for the year ended 31 March 2020

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

10.2 Contributions to a defined Provident fund contribution plan

The Ingonyama Trust and its employees have contributed to the Momentum Umbrella Funds at Work provident fund from 1 February 2011.

The fund is a defined Contribution plan. The contributions are expensed and included in the amount reported for under Secretariat administration fees in the detailed statement of financial performance.

10.3 Contributions to a medical aid scheme

The Ingonyama Trust and its employees contribute to a medical aid scheme. The contributions are expensed and included in the amount reported under Secretariat administration fees in the detailed statement of financial performance.

11.1 Leases

The entity has not entered into any finance lease, however if it does than the following policy will be applicable.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Ingonyama Trust. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Ingonyama Trust uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Notes to the Financial Statements for the year ended 31 March 2020

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term which in the case of the leased photocopier is five years.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11.2 *Deferred finance charge asset related to finance lease liability*

The deferred finance charge asset is recognised at the inception of the finance lease as the difference between the leased asset carrying value and the finance lease liability.

The deferred finance charge asset is reduced by finance charges over the term of the lease until it is fully utilised. Currently there are no deferred finance charge assets recorded in the financial statements.

11.3 *The Trust as a Lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Ingonyama Trust's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Ingonyama Trusts' net investment outstanding in respect of the leases or installment sale agreements

12. Value Added Tax

The Ingonyama Trust accounts for Value Added Tax on the invoice basis.

13. Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

14. Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key personnel are the Chief Executive officer, Chief Financial Officer and all other managers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

Related party disclosure includes the transactions between the Ingonyama Trust Board and the Ingonyama Trust in terms of the early adoption of GRAP 20 by the accounting authority.

15. Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. Events after the reporting date that are classified as all material non-adjusting events or if non-disclosure of events that could influence the economic decision of users after the reporting date have been disclosed in the notes to the Annual Financial Statements.

16. Comparative Information

16.1 *Prior year comparatives*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

16.2 Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

Notes to the Financial Statements for the year ended 31 March 2020

17. Taxation

No provision is made for taxation as the Ingonyama Trust is exempt from income tax in terms of section 10 of the Income Tax Act.

18. Irregular, fruitless & wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation. Fruitless & wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Irregular and fruitless and wasteful expenditure are recognised against the specific class of events to which they relate and are disclosed in a note to the financial statements when identified. There were occurrences of irregular, fruitless & wasteful expenditure during the year.

19. Changes in Accounting Policies, Estimates and Errors

Changes in accounting policies that are effected by the Accounting Authority have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Trust shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Ingonyama Trust shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

20. Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but not yet effective and have not yet been early adopted by the Board:

Document No	Title
GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Application of all of the above GRAP standards will become effective from a future date to be announced or already announced by the Minister of Finance.

The Accounting Authority has considered all the above mentioned GRAP standards issued but not yet effective and anticipated that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flow of the Ingonyama Trust.

The accounting authority has adopted GRAP 20 to account for the related party transactions between the Ingonyama Trust Board and the Ingonyama Trust.

Notes to the Financial Statements for the year ended 31 March 2020

21. Property, Plant and Equipment

21.1. Property Plant and Equipment

	R Total Cost / Fair value	R Accumulated depreciation	R Net book value
Property - office accommodation 65 Trelawney Road	26,949,523	(6,918,486)	20,031,037
At Cost : Land	1,500,000	-	1,500,000
Building at cost and improvements to property	25,449,523	(6,918,486)	18,531,037
Ingonyama Trust Land (other than office accommodation) at fair value	24,397,329,049	-	24,397,329,049
Agricultural machinery and equipment	5,464,670	(4,030,990)	1,433,680
Computer equipment	2,259,435	(1,580,956)	678,479
Furniture and Equipment	3,710,712	(2,096,797)	1,613,915
Motor vehicles	12,199,564	(6,382,242)	5,817,322
	24,447,912,953	(21,009,471)	24,426,903,482

Property, Plant and equipment is reconciled as follows:

	Opening carrying value 01.04.2019	Acquisitions	Disposals	Depreciation	Closing carrying value 31.03.2020
Ingonyama Trust Land (Property holdings other than office accommodation)	24,397,329,049	-	-	-	24,397,329,049
Property Phase 2- office accommodation 65 Trelawney Road	21,049,018			(1,017,981)	20,031,037
Agricultural machinery and equipment	2,344,476	-		(910,796)	1,433,680
Computer equipment	1,224,529	189,294		(735,344)	678,479
Furniture and equipment	1,772,791	141,123		(299,999)	1,613,915
Motor vehicles	5,492,210	2,900,000	(213,483)	(2,361,405)	5,817,322
	24,429,212,073	3,230,417	(213,483)	(5,325,525)	24,426,903,482

Notes to the Financial Statements for the year ended 31 March 2020

	Cost 31 March 2019 Opening carrying value	Accumulated Depreciation	Closing carrying value 31 March 2019
Ingonyama Trust Land (other than office accommodation)	24,397,329,049	-	24,397,329,049
Property - office accommodation 65 Trelawney Road	26,949,523	(5,900,505)	21,049,018
Agricultural machinery and equipment	5,464,670	(3,120,194)	2,344,476
Computer equipment	2,070,141	(845,612)	1,224,529
Furniture and equipment	3,569,589	(1,796,798)	1,772,791
Motor vehicles	9,875,315	(4,383,105)	5,492,210
	24,445,258,287	(16,046,214)	24,429,212,073

The Trust purchased a property for office accommodation more fully described as Sans Souci, Portion 1 of 1772, Registration Division, FT, Province of Kwazulu Natal in extent 1.5 hectares, deed of transfer number T5795/1980. also known as 65 Trelawney Road, Southgate, Pietermaritzburg, 3201.

The Accounting Authority has reviewed the depreciation method, residual values and useful lives of assets as at 31 March 2020.

Property, Plant and equipment is reconciled as follows:

	Opening carrying value 01.04.2018	Acquisitions	Depreciation	Closing carrying value 31.03.2019
Ingonyama Trust Land (other than office accommodation)	24,378,745,872	18,583,177	-	24,397,329,049
Property - office accommodation 65 Trelawney Road	22,066,999	-	(1,017,981)	21,049,018
Agricultural machinery and equipment	3,255,273	-	(910,797)	2,344,476
Computer equipment	1,125,274	256,506	(157,251)	1,224,529
Furniture and equipment	2,029,988	37,529	(294,726)	1,772,791
Motor vehicles	6,112,876	-	(620,666)	5,492,210
	24,413,336,282	18,877,212	(3,001,421)	24,429,212,073

PART F
ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST | FOR NOTING



Notes to the Financial Statements for the year ended 31 March 2020

22. Property holdings per registration division

The following GRAP standards have been issued but not yet effective and have not yet been early adopted by the Board:

Registration Division	2020 Hectares	Changes in property holdings	2019 Hectares	2020 Land Value	2019 Land Value
ES	34,564	-	34,564	133,154,335	133,154,335
ET	265,467	-	265,467	3,364,587,164	3,3664,587,164
FS	115,670	-	115,670	766,764,694	766,764,694
FT	251,195	-	251,195	5,635,425,697	5,635,425,697
FU	53,932	-	53,932	313,083,857	313,083,857
GS	102,175	-	102,175	453,212,840	453,212,840
GT	491,860	-	491,860	2,065,070,801	2,065,070,801
GU	651,739	-	651,739	7,476,775,533	7,476,775,533
GV	79,547	-	79,547	397,709,338	397,709,338
HT	25,896	-	25,896	162,011,537	162,011,537
HU	335,626	-	335,626	1,365,768,881	1,365,768,881
HV	475,609	-	475,609	2,240,339,720	2,240,339,720
IV	645	-	645	4,841,476	4,841,476
	2,883,925	-	2,883,925	24,378,745,872	24,378,745,872

Ingonyama Trust land vested to the Ingonyama Trust in 1994 in terms of the Ingonyama Trust Act,1994 at no cost to the Ingonyama Trust. In 2018/2019 Land was valued using the average municipal value per hectare specific to a municipal area and is disclosed as such in terms of GRAP 17. The effective date of the valuation is 01 April 2016.

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The Ingonyama Trust land is used for residential, institutional and commercial such as :shopping centers,hotels,game reserves, dams and by telecommunication service providers.

23. Heritage Assets

	R Cost	R Accumulated impairment	R Net book value
Sans Souci building - Phase one	15,988,144	-	15,988,144

No impairments were noted for the year.

Heritage assets are reconciled as follows:

	Opening carrying value 01.04.2019	Acquisitions	Impairment	Closing carrying value 31.03.2020
Sans Souci building - Phase one	15,988,144	-	-	15,988,144
	15,988,144	-	-	15,988,144

	R 2019 Cost	R 2019 Accumulated impairment	R 2019 Net book value
Sans Souci building - Phase one	15,988,144	-	15,988,144

Heritage asset are reconciled as follows:

	Opening carrying value 01.04.2018	Acquisitions	Impairment	Closing carrying value 31.03.2019
	15,988,144	-	-	15,988,144
	15,988,144	-	-	15,988,144

24. Intangible Assets

	R 2020 Cost	R Accumulated Amortisation 2020	R Net book value 2020
Computer software	1,301,935	(1,004,735)	297,200
Website design	137,926	(111,409)	26,517
	1,439,861	(1,116,144)	323,717

Intangible assets are reconciled as follows:

	Opening carrying value 01.04.2019	Acquisitions	Amortisation	Closing carrying value 31.03.2020
Computer software	687,770	38,000	(428,570)	297,200
Website design	72,487	-	(45,970)	26,517
	760,257	38,000	(474,540)	323,717

	R 2019 Cost	R Accumulated Amortisation 2019	R Net book value 2019
Computer software	1,263,935	(576,165)	687,770
Website design	137,926	(65,439)	72,487
	1,401,861	(641,604)	760,257

Note 12 Intangible Financial Statements for the year ended 31 March 2020

Intangible assets are reconciled as follows:

Computer software
Website design

	Opening carrying value 01.04.2018	Amortisation	Closing carrying value 31.03.2019
Computer software	793,094	(105,324)	687,770
Website design	83,982	(11,495)	72,487
	877,076	(116,819)	760,257

25. Depreciation

The depreciation/amortisation charge is calculated as follows:

	R 2020	R 2019
Buildings	1,017,981	1,017,981
Agricultural machinery and equipment	910,796	910,797
Computer equipment	735,344	157,251
Furniture and equipment	300,000	294,726
Motor vehicles	2,361,406	620,666
Intangible assets - Computer software and website design	474,540	116,817
	5,800,067	3,118,238
	5,800,067	3,118,238
	5,800,067	3,118,238

Net depreciation is disclosed on Statement of Comparison of budget and actual amounts (Page 155)

Notes to the Financial Statements for the year ended 31 March 2020

26. Long term debtors

Straight lining lease income debtors re projected value end of lease life

The Straight lining lease income debtors is calculated as the difference in income between the amount invoiced per the lease agreements and the determination of lease income per the straight lining method adopted.

The inclusion of straight line Revenue in these financial statements is a requirement of Treasury prescripts as contained in GRAP Statements. It should be noted:

- (a) The figures are projections and do not represent actual current income to the trust and
- (b) Appropriates and / or manner of including these figures in the Trust accounts needs to be reviewed in consultation with the National Treasury and the Office of the Auditor - General including the Accountant- General.

R
2020

R
2019

499,853,146

423,795,153

27. Receivables

27.1. Receivables from exchange transactions

Trade Debtors

Trade debtors including Leases - actual (non - straight lining lease income debtors)

Less : Provision for doubtful debts

Straight lining lease income debtors re projected value end of lease life

Other Receivables

Accrued interest

Electricity Deposit held by Msunduzi Municipality for 65 Trelawney Road

Refund due from service providers for services not rendered

77,080,684

54,971,188

136,510,698

82,969,771

(59,430,014)

(27,998,583)

102,085,308

76,057,993

1,653,354

1,514,998

88,000

88,000

13,887

13,887

143

180,921,233

132,646,066

Note 27.2 Receivables from non exchange transactions for the year ended 31 March 2020

27.2 Receivables from non exchange transactions

South African Revenue Services - VAT refund

R 2020	R 2019
723,597	2,044,838

28. Cash and cash equivalents

Current Accounts

Call account / fixed deposits

Petty cash

899,308	3,301,410
164,666,122	179,957,443
4	-
165,565,434	183,258,853

Cash and Cash equivalents are current in nature as fixed deposits mature within four months. The average interest rate during the year was between 7.00 % and 7.78 %.

29. Payables

29.1 Payables from exchange transactions

Trade creditors

Advance payments by debtors

Advance proceeds on property/(land) disposal

Sundry creditors

Ingonyama Trust Board

726,457	4,269,765
20,120,832	18,472,196
77,600	77,600
21,255	21,255
1,213,194	1,213,194
22,159,338	24,054,010

Advance payment by debtors relate to amounts received in advance for tenure rights. Advance proceeds on land disposal refers to monies received from municipalities for sites sold but not yet transferred to the municipalities at year end.

30. Trust Administration and disbursements expenditure

	R 2020	R 2019
	82,486,513	55,963,412
Advertisements	115,918	423,952
Bank charges	49,055	46,421
Cleaning repairs & general expenses	662,515	783,815
Depreciation/amortisation	5,800,067	3,118,238
Legal fees	3,240,362	5,544,451
Maintenance of land tenure information system	77,123	-
Agricultural expenses	1,556,340	1,199,045
Land tenure management and planning expenses	8,147,260	20,429,797
Increase in provision for doubtful debts	31,431,507	2,479,893
Workshops	3,889,676	495,323
Communication expenses	-	195,937
Donations	50,000	-
Audit Committee members' fees	-	22,500
Computer fees	88,648	62,334
Motor vehicle expenses	-	7,451
Bad debts written off	506	-
Loss on disposal of assets	17,983	-
Travel, accommodation and meetings	165,103	-

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Note 10: Financial Statements for the year ended 31 March 2020

Insurance

Transfer of funds to Ingonyama Trust Board (10%)

Transfer of funds to Ingonyama Trust Board

R
2020

R
2019

709,160

639,450

1,973,695

-

24,511,595

20,514,805

31. Prior period error

31.1. Prior year error - non disclosure of long term portion of straight lining of debtors

The long term portion of straight lining debtors amounting to R 423,79 m was disclosed under current assets. This resulted in the current assets of the previous year being overstated, however this had no impact on the total assets and accumulated funds on the Trust.

31.2. Prior year error - non disclosure of expenses in the correct period

Expenses amounting to R 664 675 relating to the prior year have now been disclosed in the prior year. Trade creditors have accordingly increased and has also resulted in a decrease of the Accumulated fund.

31.3 Prior year error correction of contingent liabilities - Rates

A correction has been made to reduce the contingent liability - rates amount of the prior year by R 156,496,443.00. Only municipalities contesting the rates disputes with legal processes have been recorded as contingent liabilities. There is no impact on the accumulated fund of the entity.

32. Change in estimates

A change in estimate adjustment of R 236,177 and R 123,933 has been made to the change in useful life of computer equipment and computer software respectively.

33. Events after the Reporting Date

There were no other significant subsequent events that need to be reported.

34. Related Parties

a) A Land Availability Agreement has been granted to Ketshe Investments CC. Mr S.J Ngwenya, a Board member, is a shareholder of this company.

There is no consideration for Land Availability Agreements in terms of the Board's policy.

b) A lease agreement was granted to Zwelibanzi Utilities (Pty) Ltd . Judge S. J Ngwenya, a Board member is a shareholder of this company. Rental amounting to R 21 323 is payable for the 2019/2020 financial year.

At year end an amount of R 184 187,61 was owing to the Trust.

c) The board received a verbal report from the Acting Head: Land Management to the effect that the relative area of the land has been reduced by expropriation on the part of the Department of Transport. This has led to an application for a revision of the extent/size of the property and the related rental. At the time of preparing of the financial statements , this has been served before the committee headed by the Deputy Chairperson who has since resigned and the matter had accordingly not been finalised. A new rental will have to be determined and the board therefore resolved that the Tenure Committee should give urgent attention to the resolution of this matter.

There is no provision made for doubtful debts relating to related parties as these debts are recoverable.

d) A related party transaction exists between the Ingonyama Trust Board and the Ingonyama Trust . The Ingonyama Trust Board administers the affairs of the Ingonyama Trust and Trust land. The Ingonyama Trust Board is partially funded by the State and the shortfall of R24,5 m for the current year was paid for by the Ingonyama Trust.

In administering the Trust, the Ingonyama Trust Board incurs operational and administrative expenditure noted in the statement of Financial performance.

The Ingonyama Trust which is regulated by Treasury regulation 14 mainly incurs expenditure on the core business " land management". The Ingonyama Trust Board is the employer and therefore employee cost is accordingly reflected in the books of the Ingonyama Trust Board.

Note 35.1 - Contingent Assets for the year ended 31 March 2020

35. Contingent Assets

35.1 Umlalazi Municipality - Sale of land

This is the matter where Ingonyama Trust has instituted an action against Umlalazi Municipality for the reversal of Trust Land which the Municipality had sold to an external party. The value of the contingent asset is currently unknown.

35.2 Edward Mpeko-High Court case

The Ingonyama Trust has a counter claim of R +/-181 000.00 against Mr Edward Mpeko, a lessee for outstanding rentals. (see note 38.2 below)

36. Lease income and Straight lining of Lease income

The Ingonyama Trust leases Trust land on a short and long term basis for residential institutional and commercial purposes.

The result from changing lease income to the straight line basis has increased the accumulated fund and Trade debtor balances as follows:

Rental income invoiced as per lease agreements

Rental income as per straight lining method

Increase in accumulated fund and trade debtor balances for the year

R 2020	R 2019
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70,039,137	38,749,846
------------	------------

172,124,445	114,807,839
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102,085,308	76,057,993
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The Trust as lessor enters into cancelable operating land lease agreements over a short and long term period.

There are no contingent rents recognised as revenue for the year under review.

The following future actual operating lease income receivable are noted in aggregate as follows:

(i) not later than one year,

(ii) later than one year and not later than five years, and

(iii) later than five years,

29,392,610	35,967,933
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121,287,087	135,797,633
-------------	-------------

76,187,449,217	73,657,093,915
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Notes to the Financial Statements for the year ended 31 March 2020

37. Commitments

(i) not later than one year;

(ii) later than one year and not later than five years

The entity has no commitments that relate to signed contracts of an operational nature.

38. Contingent liability

38.1 Contingent liability - Rates

There is uncertainty about the rating of Ingonyama Trust owed land. This evidenced among others; by the fact that of the 40 municipalities only 23 are invoicing Ingonyama Trust for the municipal property rates. Even these municipalities do not follow the provisions of the law as is. 17 Municipalities are not rating Ingonyama Trust for municipality rates at all.

As a result this has led to a legal impasse. Among others the provincial Department of Cooperative and Governance of Traditional Affairs has taken it upon itself to facilitate a discussion between Ingonyama Trust Board and all the municipalities with a view of finding a lasting solution to the matter. This notwithstanding and as a precautionary measure a provision has been for contingent liabilities in respect of three municipalities that have invoiced Ingonyama Trust.

38.2 Other legal matters in court

Edward Mpeko vs Ingonyama Trust

The plaintiff is suing the Board for damages alleged incurred as a result of him being evicted from the Trust property and thus lost his business. (See note 35.2 - Contingent asset)

38.3 CASAC

The application have taken the Trust to court demanding that all leases issued by the Trust are unlawful and therefore any individual who has paid rental to the Trust as a result of such lease must be refunded. There is no specific amount claimed but it is sought that the Courts would have to order an Audit to verify the amount to be refunded to the lessees.

	R 2020	R 2019
(i) not later than one year;	21,331	73,941
(ii) later than one year and not later than five years	106,654	54,043
	195,183,329	164,381,008

	2,300,000	2,300,000
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Notes to the Financial Statements for the year ended 31 March 2020

	R 2020	R 2019
38.4 <i>R Wilson vs. Ingonyama Trust</i> The plaintiff is claiming damages for allegedly being forced to surrender his business to a member of the local community.	1,977,000	1,977,000
38.5 <i>Derrick Buthelezi vs Ingonyama Trust</i> The plaintiff is suing the ITB for allocating Trust land to a third party, which he claims to be his own land.	450,000	-
38.6 <i>Vinyl Entertainment vs Ingonyama Trust</i> The plaintiff is suing the Ingonyama Trust for non payment of the balance owing to him for rendering goods and services.	668,150	-
38.7 <i>Entembeni Land, Emakhasaneni Land Claim, Mthonjaneni Land Claim matters</i> The contingent liability relates to legal costs which is currently unknown, as the leave to appeal the land claims matters was dismissed by the constitutional court with costs.		
39. Reconciliation of budget surplus with surplus in the statement of financial performance		
Available funds transferred to Accumulated Fund	107,300,034	76,076,054
Adjusted for:		
less : straight lining lease income not budgeted	(102,085,308)	(76,057,993)
Budgeted income not received	16,736,336	160,241,558
Budgeted expenditure not spent	(82,486,513)	(83,061,640)
Net surplus per approved budget	(60,535,451)	77,197,979

Notes to the Financial Statements for the year ended 31 March 2020

40 Notes to the Cash Flow Statement

(A) Reconciliation of net cash flows from operating activities to surplus

	2020 R	2019 R
Available funds transferred to Accumulated Fund	107,300,034	76,076,054
Non-cash movements		
	34,417,488	(636,341)
Depreciation/amortisation	5,800,067	3,118,239
Loss on disposal/impairment of assets	17,983	-
Increase in Accumulated Fund	243,498	-
Transfer to/out of accumulated Fund	(3,075,491)	(6,234,473)
Increase in provision of doubtful debts	31,431,431	2,479,893
Increase in receivables from exchange transactions	(79,706,598)	(82,771,013)
Increase in long term loan	(76,057,993)	-
Decrease in payables from exchange transactions	(1,894,672)	5,954,835
Decrease in receivables from non-exchange transactions	1,321,241	(1,922,098)
Net cash flows from operating activities	(14,620,500)	(3,298,563)

Note 10: Financial Statements for the year ended 31 March 2020

(B) *Property, Plant and equipment and intangible assets*

During the 2019/2020 year the Trust acquired property, plant and equipment at a cost of R 3,268,417 as follows :

Property/land and Office accommodation construction costs
 Computer equipment
 Furniture and equipment
 Intangible assets - computer software/website design
 Motor vehicles

	2020 R	2019 R
	own funds	own funds
	-	18,583,177
	189,294	256,506
	141,123	37,529
	38,000	-
	2,900,000	-
	3,268,417	18,877,212

(C) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating the financial position :

Cash on hand and balances with banks
 Short-term investments

	899,312	3,301,410
	164,666,122	179,957,443
	165,565,434	183,258,853

The entity had no borrowing facility as at 31 March 2020

Notes to the Financial Statements for the year ended 31 March 2020

	2020 R	2019 R
41. Financial Instruments		
The Accounting policies regarding financial instruments are disclosed in note 8. Exposure to currency, interest rate, credit risk and liquidity risks arise in the normal course of the Trusts's business. The Trust has exposure to the following risks from its use of financial instruments:		
Liquidity Risk		
Interest Rate Risk		
Credit Risk		
The following balances are exposed to Liquidity risk		
Payables and Trade creditors	22,159,338	23,389,337
The following balances are exposed to Credit risk		
Consumer / trade debtors	180,921,233	54,971,188
Certain other debts	723,597	3,661,723
The following balances are exposed to Interest rate risk		
Investments in fixed deposits	164,666,122	179,957,443
Bank Balances and Cash	899,312	3,301,410

Statement of Comparison of budget and actual amounts for the year ended 31 March 2020

Notes	Approved Budget 2020	Shift of funds & Additional funds	Final Budget 2020	Actual 2020	Variance 2020	Actual 2019
Revenue						
Leases - straight lining income	-	-	-	102,085,308	102,085,308	76,057,993
Lease income actual	38,682,862	-	38,682,862	70,039,137	31,356,275	38,749,846
Net rental Revenue	38,682,862	-	38,682,862	172,124,445	133,441,583	114,807,839
Contractual Royalty revenue	1,087,246	-	1,087,246	769,689	(317,557)	1,170,437
Interest on Bank and Short term investments	18,933,947	-	18,933,947	12,560,853	(6,373,094)	14,285,384
Servitude compensation and other income	146,200,000	-	146,200,000	2,883,041	(143,316,959)	1,678,213
Interest on debtors overdue accounts	912,681	-	912,681	742,372	(170,309)	762,268
Sugar cane sales	-	-	-	706,147	706,147	-
Total Revenue	205,816,736	-	205,816,736	189,786,547	(16,736,336)	132,704,141
Less : Expenses	144,902,249	26,485,690	171,387,939	82,486,513	88,901,426	56,628,087
Advertisements	447,511	(312,821)	134,690	115,918	18,772	423,952
Bank charges	70,690	-	70,690	49,055	21,635	46,421
Cleaning repairs & general expenses	350,000	312,515	662,515	662,515	-	783,815

PART F

ANNUAL FINANCIAL STATEMENTS | INGONYAMA TRUST | FOR NOTING

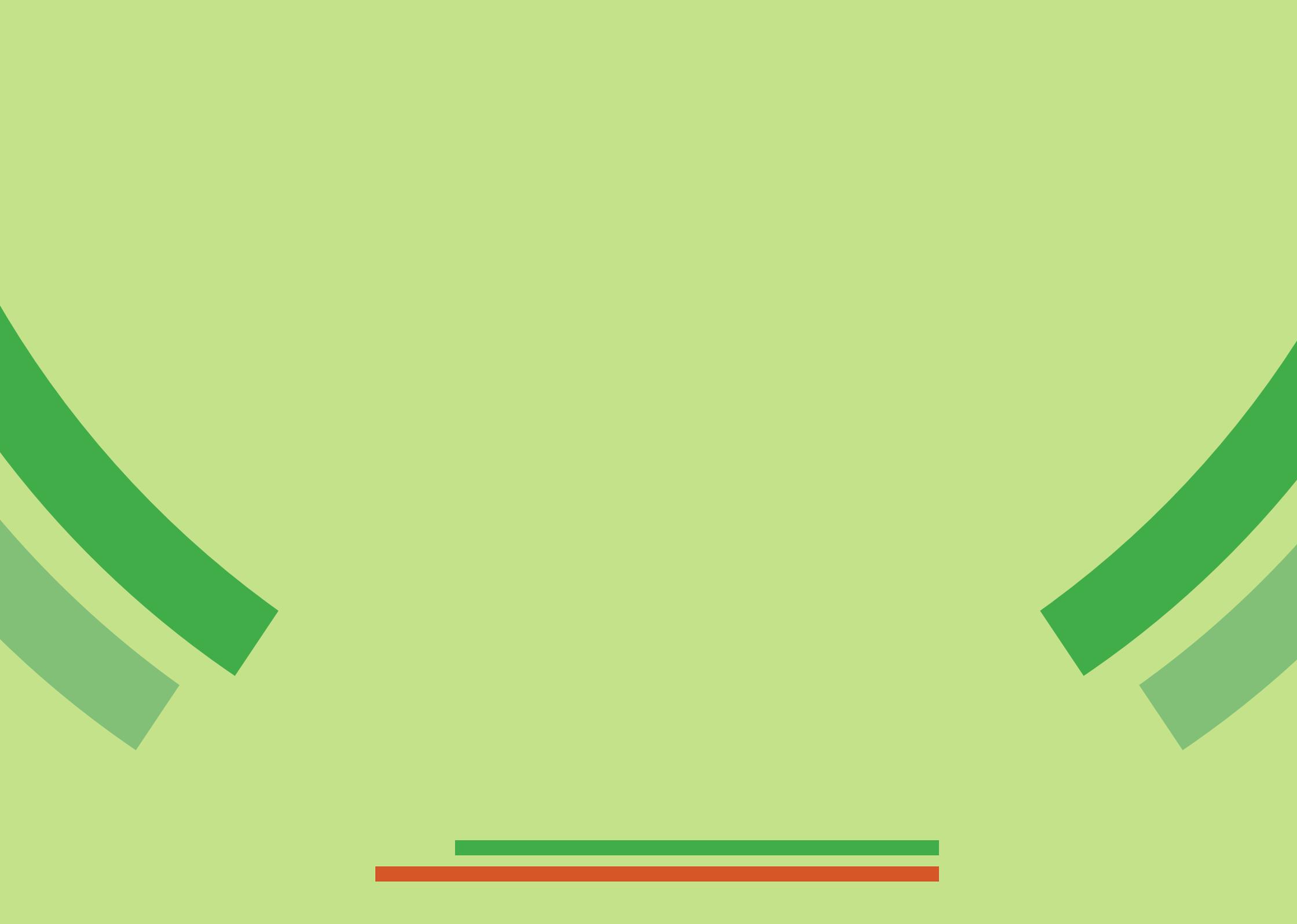


Statement of Comparison of budget and actual amounts for the year ended 31 March 2020

	Notes	Approved Budget 2020	Shift of funds & Additional funds	Final Budget 2020	Actual 2020	Variance 2020	Actual 2019
Depreciation/amortisation	25	4,311,637	576,751	4,888,388	5,800,067	(911,679)	3,118,238
Legal fees		18,900,000	(15,060,973)	3,839,027	3,240,362	598,665	6,143,116
Communication expenses		367,298	-	367,298	77,123	290,175	-
Agricultural Project expenses		6,330,000	(4,773,660)	1,556,340	1,556,340	-	1,199,045
Land tenure management and planning expenses		6,645,445	1,501,815	8,147,260	8,147,260	-	20,429,797
Increase in provision for doubtful debts		5,000,000	18,332,818	23,332,818	31,431,507	(8,098,689)	2,479,893
Workshops		4,972,011		4,972,011	3,889,676	1,082,335	495,323
Communication expenses		-	-	-	-	-	195,937
Provision of rates payable to municipalities for Ingonyama Trust land		95,000,000	-	95,000,000	-	95,000,000	-
Review and maintenance of policies		47,750	-	47,750	-	47,750	22,500
Computer fees		545,382	-	545,382	88,648	456,734	128,344
Asset tagging		5,565	-	5,565	-	5,565	-
Motor vehicle expenses		-	-	-	-	-	7,451
Travel, accommodation and meetings		-	165,990	165,990	165,103	887	-
Donations		-	50,000	50,000	50,000	-	-
Development of IT strategy and implementation plan		150,000	(50,000)	100,000	-	100,000	-

Statement of Comparison of budget and actual amounts for the year ended 31 March 2020

Notes	Approved Budget 2020	Shift of funds & Additional funds	Final Budget 2020	Actual 2020	Variance 2020	Actual 2019
Development of Business Continuity Plan	400,000	(165,990)	234,010	-	234,010	-
Loss on disposal of assets	-	17,983	17,983	17,983	-	-
Bursaries - Funda Zulu	650,000	(594,734)	55,266	-	55,266	-
Insurance	708,960	200	709,160	709,160	-	639,450
Bad debts written off	-	506	506	506	-	-
Ingonyama Trust Payment in terms of financial regulations 10(2) of the Ingonyama Trust Act to Trust Board	-	1,973,695	1,973,695	1,973,695	-	5,664,615
Ingonyama Trust Payment for re-imburement of Board operational expenses	-	24,511,595	24,511,595	24,511,595	-	14,850,190
Available funds transferred to Accumulated fund	60,914,487	-	34,428,797	107,300,034	72,871,237	76,076,054
Capital expenditure	(20,315,000)	3,230,417	23,545,417	(3,230,417)	20,315,000	(18,877,212)
Total available funds for the current year transferred to the Accumulated Fund	40,599,487	(3,230,417)	10,883,380	110,530,451	52,556,237	57,198,842



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