



KNYSNA
Municipality
Munisipaliteit
uMasipala

Knysna Municipality
Audited Annual Financial Statements
for the year ended 30 June 2021

Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

General Information

Mayoral committee	Previous	Current
Executive Mayor	EO van Aswegen	EO van Aswegen
Deputy Executive Mayor	A Tsengwa	A Tsengwa
Speaker	TM Gombo	TM Gombo
Executive Councillor	MD Skosana (Chairperson: Planning and Development Committee)	MD Skosana (Chairperson: Planning and Development Committee)
Executive Councillor	T Matika (Chairperson: Infrastructure Services Committee)	T Matika (Chairperson: Infrastructure Services Committee)
Executive Councillor	M Salaze (Chairperson: Community Services Committee)	M Salaze (Chairperson: Community Services Committee)
Executive Councillor	CD Croutz (Chairperson: Financial and corporate services Committee)	CD Croutz (Chairperson: Financial and corporate services Committee)

Councillors

Ward	Current
1	L Davis
2	ACF Weideman
3	MD Skosana
4	S Ngqezu
5	H Stroebel
6	EO van Aswegen
7	MG Matiwane
8	T Matika
9	S Sabbagh
10	P Bester
11	L Opperman
Proportional	CD Croutz
Proportional	SI Kwinana
Proportional	J Lopes
Proportional	MW Salaze
Proportional	NA Tswenga
Proportional	L Tyokolo
Proportional	P Makhetha
Proportional	GR Wolmarans
Proportional	M Naki



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General Information

Registered office	Civic Centre Clyde Street Knysna 6570
Postal address	PO Box 21 Knysna 6570
Bankers	Nedbank Corporate P O Box 472 Knysna 6570
Auditors	Auditor-General of South Africa Private Bag X1 Chempet 7442
Website	www.knysna.gov.za
Contact numbers	Tel: 044-302 6300 Fax: 044-302 6333
Jurisdiction	Greater Knysna areas which includes: Knysna Sedgefield Rheenendal Karatara Brenton Belvidere Knoetzie
Relevant legislation	Constitution of the Republic of South Africa (Act no 108 of 1996) Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act The Income Tax Act 58 of 1962 Value Added Tax Act 89 of 1991 Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997)



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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The audited annual financial statements set out on pages 5 to 124, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:


Mr DJ Adonis
Acting Municipal Manager



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Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020
Assets			
Current Assets			
Inventories	3	12,507,221	8,132,442
Construction contracts and receivables	4	41,497,572	20,080,155
Receivables from exchange transactions	5	66,197,937	61,043,093
Receivables from non-exchange transactions	6	84,284,009	78,559,240
VAT receivable	8	26,352,367	21,208,307
Prepayments		846,355	745,909
Unpaid grants and receipts	9	13,571,160	14,212,889
Cash and cash equivalents	10	42,330,361	79,293,624
		287,586,982	283,275,659
Non-Current Assets			
Long-term investments and receivables	11	4,110,902	10,814,218
Investment property	12	69,818,713	69,965,939
Property, plant and equipment	13	1,338,994,297	1,237,252,035
Intangible assets	14	98,852	117,270
Heritage assets	15	17,435,046	17,435,046
Operating lease asset	16	2,326,230	2,187,570
		1,432,784,040	1,337,772,078
Total Assets		1,720,371,022	1,621,047,737
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	9	7,539,445	8,839,800
Long-term liabilities	17	33,067,995	28,226,605
Finance lease obligation	18	4,283,928	4,301,927
Payables from exchange transactions	19	138,486,354	141,611,462
Consumer deposits	20	13,509,280	13,163,571
Employee benefit obligation	21	38,358,273	37,890,419
Provisions	22	500,000	6,040,000
		235,745,275	240,073,784
Non-Current Liabilities			
Long-term liabilities	17	252,244,006	216,054,162
Finance lease obligation	18	2,301,590	6,585,517
Employee benefit obligation	21	108,072,317	95,018,126
Provisions	22	18,977,713	10,824,028
		381,595,626	328,481,833
Total Liabilities		617,340,901	568,555,617
Net Assets		1,103,030,121	1,052,492,120
Accumulated surplus		1,103,030,121	1,052,492,120



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Statement of Financial Performance

	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Service charges	23	400,225,514	373,989,167
Sales of goods and rendering of services		4,818,383	3,946,651
Rental of facilities and equipment	24	5,756,264	5,810,448
Interest received - outstanding debtors		10,484,027	9,658,131
Interest received - external investments		3,209,892	4,687,497
Agency services		3,630,328	3,064,946
Licences and permits		1,590,801	1,194,339
Third Party Payments (Insurance Claims)		448,704	664,186
Operational revenue	25	5,900,895	3,511,680
Gain on disposal of assets		542,176	651,372
Inventory adjustments		1,373,218	1,186,892
Total revenue from exchange transactions		437,980,202	408,365,309
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	227,433,929	213,447,843
Transfer revenue			
Transfers and Subsidies – Operational	27	129,990,015	104,097,929
Construction revenue	4	47,954,777	62,913,747
Fines, penalties and forfeits	28	113,155,769	100,463,086
Total revenue from non-exchange transactions		518,534,490	480,922,605
Total revenue		956,514,692	889,287,914
Expenditure			
Employee related costs	30	279,130,365	258,240,519
Remuneration of councillors	31	8,781,010	8,108,340
Bad debts written off	32	-	47,501,672
Debt Impairment	33	142,236,937	80,351,078
Depreciation and amortisation	34	37,673,432	35,063,636
Impairment of assets	35	2,319,238	(957,362)
Finance costs	36	23,154,272	19,900,373
Lease rentals on operating lease	37	10,988,081	10,714,231
Bulk purchases	38	199,242,027	188,257,343
Contracted services	39	166,631,541	188,522,229
Transfers and Subsidies	40	1,257,953	2,411,972
Inventory Consumed	41	41,934,778	40,617,435
Operational costs	42	40,214,175	39,316,657
Total expenditure		953,563,809	918,048,123
Surplus /(Deficit)		2,950,883	(28,760,209)
Contributions recognised - donated assets	29	1,169,063	131,328
Transfers and subsidies – Capital	27	46,418,922	61,885,132
Surplus for the year		50,538,868	33,256,251



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Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	978,131,254	978,131,254
Adjustments		
Correction of errors - Refer to note 49	41,103,734	41,103,734
Balance at 01 July 2019 as restated*	1,019,234,988	1,019,234,988
Changes in net assets		
Restated surplus for the year - Refer to note 49	33,257,132	33,257,132
Total changes	33,257,132	33,257,132
Balance at 01 July 2020	1,052,491,253	1,052,491,253
Changes in net assets		
Surplus for the year	50,538,868	50,538,868
Total changes	50,538,868	50,538,868
Balance at 30 June 2021	1,103,030,121	1,103,030,121
Note(s)		



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Cash Flow Statement

	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Taxation and fines revenue		243,678,241	168,944,336
Sale of goods and services		360,436,262	405,403,430
Grants and conditional receipts		175,750,309	146,374,551
Interest income		3,209,892	4,687,497
Construction contracts and receivables		26,537,360	59,218,222
Other income		16,939,521	14,939,406
		<u>826,551,585</u>	<u>799,567,442</u>
Payments			
Employee costs		(274,389,327)	(267,873,945)
Suppliers		(472,087,122)	(441,790,346)
Finance costs		(21,935,791)	(18,744,537)
		<u>(768,412,240)</u>	<u>(728,408,828)</u>
Net cash flows from operating activities	43	<u>58,139,345</u>	<u>71,158,614</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(139,077,408)	(135,255,696)
Proceeds from sale of Property, plant and equipment and Investment property	13	542,176	4,010,065
Movement in Long-term investments and receivables	11	6,703,316	23,683,913
Net cash flows from investing activities		<u>(131,831,916)</u>	<u>(107,561,718)</u>
Cash flows from financing activities			
Proceeds from long-term liabilities	17	71,809,365	71,367,058
Repayment of long-term liabilities		(30,778,131)	(24,664,603)
Finance lease payments		(4,301,926)	(2,714,756)
Net cash flows from financing activities		<u>36,729,308</u>	<u>43,987,699</u>
Net increase/(decrease) in cash and cash equivalents		(36,963,263)	7,584,595
Cash and cash equivalents at the beginning of the year		79,293,624	71,709,029
Cash and cash equivalents at the end of the year	10	<u>42,330,361</u>	<u>79,293,624</u>



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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis							
	Approved Budget	Adjustments (04/2021)	Final Adjustments	Final Budget (30/06/2021)	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	R	
Statement of Financial Performance							
Revenue							
Revenue by source							
Property rates	236,157,576	229,519,410	-	229,519,410	227,433,929	(2,085,481)	Difference less than 10%
Service charges	435,781,304	393,988,220	-	393,988,220	400,225,513	6,237,293	Difference less than 10%
Investment revenue	4,721,608	3,448,222	-	3,448,222	3,209,892	(238,330)	Difference less than 10%
Transfers recognised - operational	161,320,350	192,961,891	2,539,860	195,501,751	177,944,792	(17,556,959)	Difference less than 10%
Other own revenue	166,232,894	134,810,152	500,000	135,310,152	147,700,566	12,390,414	Difference less than 10%
Total Revenue (excluding capital transfers and contributions)	1,004,213,732	954,727,895	3,039,860	957,767,755	956,514,692	(1,253,063)	
Expenditure by type							
Employee related costs	(283,808,518)	(272,533,675)	(2,124,434)	(274,658,109)	(279,130,365)	4,472,256	Difference less than 10%
Remuneration of councillors	(10,023,084)	(9,964,738)	1,182,400	(8,782,338)	(8,781,010)	(1,328)	Difference less than 10%
Debt impairment	(183,498,900)	(136,677,640)	4,038,000	(132,639,640)	(142,236,937)	9,597,297	Difference less than 10%
Depreciation & asset impairment	(30,591,378)	(41,397,686)	3,691,550	(37,706,136)	(39,992,670)	2,286,534	Difference less than 10%
Finance charges	(34,041,114)	(23,031,743)	499,082	(22,532,661)	(23,154,272)	(221,206)	Difference less than 10%
Bulk purchases	(206,632,034)	(196,600,000)	(2,700,000)	(199,300,000)	(199,242,027)	(57,973)	Difference less than 10%
Other materials	(46,405,474)	(36,292,199)	(8,744,038)	(45,036,237)	(41,934,778)	(3,101,459)	Difference less than 10%
Contracted services	(158,164,054)	(170,678,168)	(9,178,636)	(179,856,804)	(166,631,541)	(13,225,263)	Difference less than 10%
Transfers and subsidies	(8,409,148)	(7,120,540)	5,405,860	(1,714,680)	(1,257,953)	(456,727)	Less than R1 million
Other expenditure	(74,452,663)	(57,014,826)	4,890,356	(52,124,470)	(51,202,256)	(79,397)	Difference less than 10%
Losses	(50,000)	-	-	-	-	-	Difference less than 10%
Total expenditure	(1,036,076,367)	(951,311,215)	(3,039,860)	(954,351,075)	(953,563,809)	(787,266)	
Surplus / (Deficit)	(31,862,635)	3,416,680	-	3,416,680	2,950,883	(2,040,329)	
Transfers and subsidies - capital grants	45,709,715	53,600,582	(2,539,860)	51,060,722	46,418,922	(4,641,800)	Difference less than 10%
Contributions recognised - Donated assets	-	-	-	-	1,169,063	1,169,063	
Surplus after capital transfers & contributions	13,847,080	57,017,262	(2,539,860)	54,477,402	50,538,868	(5,513,066)	
Surplus for the year	13,847,080	57,017,262	(2,539,860)	54,477,402	50,538,868	(5,513,066)	



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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Adjustments Budget (04/2021)	Final Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Cash	73,641,145	-	73,641,145	27,541,111	46,100,034	59.1
Call investment deposits	-	-	-	14,789,249	-14,789,249	59.2
Consumer debtors	139,934,465	-	139,934,465	67,301,605	72,632,860	59.3
Other debtors	76,302,819	-	76,302,819	123,950,222	-47,647,403	59.4
Current portion of long-term receivables	-	-	-	41,497,571	-41,497,571	59.5
Inventory	8,620,393	-	8,620,393	12,507,223	-3,886,830	59.6
	298,498,822	-	298,498,822	287,586,981	10,911,841	
Non-Current Assets						
Long-term receivables	2,194,370	-	2,194,370	2,326,230	-131,860	Less than 10%
Investments	10,807,419	-	10,807,419	4,110,902	6,696,517	59.7
Investment property	68,680,140	-	68,680,140	69,818,713	-1,138,573	Less than 10%
Property, plant and equipment	1,365,997,372	-2,539,860	1,363,457,512	1,338,994,297	24,463,215	Less than 10%
Intangible	98,852	-	98,852	98,852	-0	Less than 10%
Other non-current assets	17,435,046	-	17,435,046	17,435,046	-0	Less than 10%
	1,465,213,199	-2,539,860	1,462,673,339	1,432,784,040	29,889,299	
Total Assets	1,763,712,021	-2,539,860	1,761,172,161	1,720,371,021	40,801,140	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	-	-	-	
Borrowing	32,528,532	-	32,528,532	37,351,923	-4,823,391	59.8
Consumer deposits	13,717,384	-	13,717,384	13,509,279	208,105	Less than 10%
Trade and other payables	142,850,373	-	142,850,373	146,024,921	-3,174,548	Less than 10%
Provisions	47,353,911	-	47,353,911	38,858,274	8,495,637	59.9
	236,450,200	-	236,450,200	235,744,397	705,803	
Non-Current Liabilities						
Borrowing	301,109,505	-	301,109,505	254,545,596	46,563,909	59.10
Provisions	113,107,028	-	113,107,028	127,050,030	-13,943,002	59.11
	414,216,533	-	414,216,533	381,595,626	32,620,907	
Total Liabilities	650,666,733	-	650,666,733	617,340,023	33,326,710	
Net Assets	1,113,045,288	-	1,110,505,428	1,103,030,998	7,474,430	
Community wealth/equity						
Accumulated Surplus/(Deficit)	1,067,545,288	-2,539,860	1,065,005,428	1,103,030,998	-38,025,570	Less than 10%
Reserves	45,500,000	-	45,500,000	-	45,500,000	59.12
Total community wealth/equity	1,113,045,288	-	1,110,505,428	1,103,030,998	7,474,430	



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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Adjustments Budget	Final Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	839,191,991	3,039,860	842,231,851	823,341,693	18,890,158	Less than 10%
Interest	3,448,222	0	3,448,222	3,209,892	238,330	Less than 10%
	842,640,213	3,039,860	845,680,073	826,551,585	19,128,488	
Payments						
Suppliers and employees	-729,011,773	-12,410,666	-741,422,439	-746,405,914	4,983,475	Less than 10%
Finance charges	-23,031,743	499,082	-22,532,661	-21,092,974	-1,439,687	Less than 10%
Transfers and Grants	-6,920,540	5,405,860	-1,514,680	-1,257,952	-256,728	Less than R1 Million
			0			
	-758,964,056	-6,505,724	-765,469,780	-768,756,840	3,287,060	
Net cash flows from operating activities	83,676,157	-3,465,864	80,210,293	57,794,745	22,415,548	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of assets	269,565	0	269,565	542,176	-272,611	Less than R1 Million
Decrease (increase) in non-current investments	-	0	0	6,703,316	-6,703,316	59.13
	269,565	0	269,565	7,245,493	-6,975,928	
Payments						
Capital assets	-165,155,977	0	-165,155,977	-139,077,408	-26,078,569	59.14
Net cash flows from investing activities	-164,886,412	0	-164,886,412	-131,831,915	-33,054,497	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	106,103,119	150,000	106,253,119	71,809,365	34,443,754	59.15
Increase (decrease) in consumer deposits	553,814	0	553,814	345,708	208,106	Less than R1 million
	106,656,933	150,000	106,806,933	72,155,073	34,651,860	
Payments						
Repayment of borrowing	-27,783,292	0	-27,783,292	-35,080,057	7,296,765	59.16
Net cash flows from financing activities	78,873,641	150,000	79,023,641	37,075,016	41,948,625	
Net increase/(decrease) in cash held	-2,336,614	-3,315,864	-5,652,478	-36,962,157.00	31,309,679	59.17
Cash/cash equivalents at the year begin:	79,293,623	0	79,293,623	79,293,623	-0	Less than 10%
Cash and cash equivalents at the end of the year	76,957,009	-3,315,864	73,641,145	42,331,465	31,309,680	



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Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

	Original budget		Budget adjustments (i.t.o. s28 and s31 of the MFMA) February 2021		Budget adjustments (i.t.o. s28 and s31 of the MFMA) April 2021		Virement (i.t.o. council approved policy)		Final budget		Actual outcome		Variance		Actual outcome as % of final budget		Actual outcome as % of original budget		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
2021																			
Financial Performance																			
Property rates	236,157,576	229,519,410	229,519,410	229,519,410	-	-	229,519,410	-	229,519,410	227,433,929	(2,085,481)	99%	96%						
Service charges	435,781,304	393,988,220	393,988,220	393,988,220	-	-	393,988,220	-	393,988,220	400,225,513	6,237,293	102%	92%						
Investment revenue	4,721,608	3,448,222	3,448,222	3,448,222	-	-	3,448,222	-	3,448,222	3,209,892	(238,330)	93%	68%						
Transfers recognised - operational	161,320,350	190,677,587	192,961,891	192,961,891	2,539,860	2,539,860	195,501,751	177,944,792	177,944,792	17,556,959	(17,556,959)	91%	110%						
Other own revenue	166,232,894	134,810,152	134,810,152	134,810,152	500,000	500,000	135,310,152	147,700,566	147,700,566	12,390,414	12,390,414	109%	89%						
Total revenue (excluding capital transfers and contributions)	1,004,213,732	952,443,591	954,727,895	954,727,895	3,039,860	3,039,860	957,767,755	956,514,692	956,514,692	(1,253,063)	(1,253,063)	100%	95%						
Employee costs	(283,808,518)	(272,533,675)	(272,533,675)	(272,533,675)	(2,124,434)	(2,124,434)	(274,658,109)	(279,130,365)	(279,130,365)	4,472,256	4,472,256	102%	98%						
Remuneration of councillors	(10,023,084)	(9,964,738)	(9,964,738)	(9,964,738)	1,182,400	1,182,400	(8,782,338)	(8,781,010)	(8,781,010)	(1,328)	(1,328)	100%	88%						
Debt impairment	183,498,900	136,677,640	136,677,640	136,677,640	4,038,000	4,038,000	(132,639,640)	(142,236,937)	(142,236,937)	9,597,297	9,597,297	107%	78%						
Depreciation and asset impairment	30,591,378	41,397,686	41,397,686	41,397,686	3,691,550	3,691,550	(37,706,136)	(39,992,670)	(39,992,670)	2,286,534	2,286,534	106%	131%						
Finance charges	34,041,114	23,031,743	23,031,743	23,031,743	499,082	499,082	(22,532,661)	(23,154,272)	(23,154,272)	(221,206)	(221,206)	99%	66%						
Other materials	46,405,474	36,149,899	36,149,899	36,292,199	(2,700,000)	(2,700,000)	(199,300,000)	(199,242,027)	(199,242,027)	(57,973)	(57,973)	100%	96%						
Contracted services	158,164,054	170,947,768	170,947,768	170,678,168	(8,744,038)	(8,744,038)	(45,036,237)	(41,934,778)	(41,934,778)	(3,101,459)	(3,101,459)	93%	90%						
Bulk purchases	206,632,034	196,600,000	196,600,000	196,600,000	(9,178,636)	(9,178,636)	(179,856,804)	(166,631,541)	(166,631,541)	(13,225,263)	(13,225,263)	93%	105%						
Transfers and grants	8,409,148	6,920,540	7,120,540	7,120,540	5,405,860	5,405,860	(1,714,680)	(1,257,953)	(1,257,953)	(456,727)	(456,727)	73%	15%						
Other expenditure	74,452,663	57,087,526	57,014,826	57,014,826	4,890,356	4,890,356	(52,124,470)	(51,202,256)	(51,202,256)	(79,397)	(79,397)	100%	70%						
Losses	50,000	-	-	-	-	-	-	-	-	-	-	0%	0%						
Total expenditure	-1,036,076,367	-951,311,215	-951,311,215	-951,311,215	-3,039,860	-3,039,860	-954,351,075	-953,563,809	-953,563,809	-787,266	-787,266	100%	92%						
Surplus/(Deficit)	(31,862,635)	1,132,376	3,416,680	3,416,680	-	-	3,416,680	2,950,883	2,950,883	(2,040,329)	(2,040,329)	86%	-9%						

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	Original budget		Budget adjustments (i.t.o. s28 and s31 of the MFMA) February 2021		Budget adjustments (i.t.o. s28 and s31 of the MFMA) April 2021		Virement (i.t.o. council approved policy)		Final budget		Actual outcome		Actual outcome as % of original budget	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	45,709,715	48,151,886	53,600,582	(2,539,860)	51,060,722	46,418,922	(4,641,800)	91%	102%					
Surplus (Deficit) after capital transfers and contributions	13,847,080	49,284,262	57,017,262	(2,539,860)	54,477,402	50,538,868	(5,513,066)	93%	365%					
Surplus/(Deficit) for the year	13,847,080	49,284,262	57,017,262	(2,539,860)	54,477,402	50,538,868	(5,513,066)	93%	365%					
Capital expenditure and funds sources														
Total capital expenditure	157,937,880	161,250,115	166,698,996	(2,540,045)	164,158,951	138,559,605	25,599,346	84%	88%					
Cash flows														
Net cash from (used) operating	54,090,266	74,761,597	83,676,157	0	83,676,157	58,140,453	25,535,704	69%	107%					
Net cash from (used) investing	-121,060,658	-159,437,716	-164,886,412	0	-164,886,412	-131,831,915	-33,054,497	80%	109%					
Net cash from (used) financing	44,593,510	78,873,641	78,873,641	0	78,873,641	36,729,306	42,144,335	47%	82%					
Net increase/(decrease) in cash and cash equivalents	-22,376,882	-5,802,478	-2,336,614	0	-2,336,614	-36,962,157	34,625,543	1582%	165%					
Cash and cash equivalents at the beginning of the year	-12,527,749	79,293,623	79,293,623	0	79,293,623	79,293,623	0	100%	-633%					
Cash and cash equivalents at year end	-34,904,631	73,491,145	76,957,009	0	76,957,009	42,331,465	34,625,543	55%	-121%					

Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

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

1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest South African Rand.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not necessarily correlate with the external auditor's materiality.

1.4 Significant judgements and sources of estimation uncertainty

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

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.



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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Post-retirement medical obligations, long service awards and ex-gratia pension benefits

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions and contingent liabilities are included in note 22 - Provisions and note 46 - Contingencies.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

IGRAP 18 Recognition and Derecognition of land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows (IGRAP 18 par 40):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of other to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows (IGRAP 18 par 41):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land where the municipality are still the legal owner per the deeds office, but control and substantive rights were transferred. These land are not recognised by the municipality.



Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Segment reporting

The municipality is structured in terms of core functions mandated in legislation. Information regarding progress in the performance of mandated functions, is reported to management for the purpose of evaluating segment performance and the allocation of resources to various activities in lieu of strategic objectives. Where more than one set of segments has been identified, management may report such information separately or as a matrix. In addition, management may choose to adopt a primary and secondary reporting structure with limited disclosures made about secondary segments.

The segment information has been prepared on the accrual basis of accounting in accordance with the historical cost convention, unless specified otherwise.

GRAP 18 permits the aggregation of two or more segments into a single segment where segments have similar economic characteristics and share a majority of the following:

- a.) the nature of the goods and/or services delivered;
- b.) the type or class of customer or consumer to which goods and services are delivered;
- c.) the methods used to distribute the goods or provide the services; or
- d.) the nature of the regulatory environment that applies to the segment.

In accordance with section 153 of the Constitution of South Africa, the municipality's administration, budget and planning processes are structured in order to give priority to the basic needs of the community, as well as to promote the social and economic development of the community. Management has thus decided to organise segments around the nature of goods and/or services delivered in accordance with the objects of local government as stipulated in section 152(1) of the Constitution.

1.5 Investment property

Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use.

Subsequent Measurement - Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	100 years



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Accounting Policies

1.5 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (refer to note 12).

Investment property is not used as security unless stated otherwise in the notes.



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Accounting Policies

1.6 Property, plant and equipment

Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.



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Accounting Policies

1.6 Property, plant and equipment (continued) Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	100 years
Infrastructure - Sewerage	Straight line	10 - 100 years
Infrastructure - Electricity	Straight line	10 - 100 years
Infrastructure - Water	Straight line	10 - 182 years
Infrastructure - Roads	Straight line	10 - 102 years
Infrastructure - Security measures	Straight line	5 - 80 years
Community asset	Straight line	5 - 100 years
Leased assets	Straight line	2 - 6 years
Other assets - Bins and containers	Straight line	15 years
Other assets - Other	Straight line	3 - 100 years
Other assets - Office Equipment	Straight line	2 - 35 years
Other assets - Vehicles and specialised vehicles	Straight line	7 - 50 years

The residual value, and the useful life and depreciation method of each asset are assessed based on the occurrence of certain indicators. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.15 or 1.16 (which ever is relevant) is applied.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

De-recognition

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

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

1.7 Intangible assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

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

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

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

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

Intangible assets are initially recognised at cost.

Subsequent Measurement - Cost model

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation

Amortisation is charged so as to write-off the cost of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are assessed based on the occurrence of certain indicators, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

Item	Useful life
Computer software and website	5-10 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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.

1.8 Heritage assets

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 15).

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Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Heritage assets (continued)

Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost of the asset can be measured reliably.

Initial measurement

Heritage assets are initially measured at cost.

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

Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Heritage assets are not depreciated.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.



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Accounting Policies

1.9 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables and non-current investments.

Classification

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

Class	Category
Long-term investments and receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

Receivables

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



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1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit.

The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

Payables and long term liabilities

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.



Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance note 1.24

Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Statutory receivables

Identification

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

Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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



Accounting Policies

1.10 Statutory receivables (continued)

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

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

Derecognition

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

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

1.11 Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

Value added tax is recognised on the payments basis.

1.12 Leases

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

Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability.

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



Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

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

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

1.13 Inventories

Initial measurement

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are 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 Municipality, and the cost of the inventories can be measured reliably.

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

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Subsequent measurement

Inventories, consisting of consumable stores, maintenance materials and water are subsequently measured at the lower of cost and net realisable value.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

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

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

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.



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1.14 Construction contracts and receivables

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

Contractor is an entity that performs construction work pursuant to a construction contract.

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

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

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

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

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

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

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

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

1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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



Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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



Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.



Accounting Policies

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, depending on the nature of the asset in question:

Depreciated replacement cost approach

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

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

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

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

1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.



Accounting Policies

1.18 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

Accrual for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.



Accounting Policies

1.18 Employee benefits (continued)

Staff bonuses accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-retirement medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Ex gratia gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.



Accounting Policies

1.19 Unspent grants and receipts

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.20 Unpaid grants and receipts

Unpaid conditional grants are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.21 Provisions and contingencies

Provisions

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for deficits arising from future operating activities.

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



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1.21 Provisions and contingencies (continued)

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 46.

Management judgement is required when recognising and measuring contingent liabilities.

1.22 Commitments

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

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.23 Revenue from exchange transactions

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

Measurement

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

Sale of goods

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

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

Service charges



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1.23 Revenue from exchange transactions (continued)

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards is initially recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. Subsequently, the pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position in order to only recognise pre-paid electricity consumed.

Interest earned

Interest revenue is recognised in surplus and deficit as it accrues, using the effective interest rate method.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Agency services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Third party payments

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and it is probable that inflow will occur and it is not being offset against the related expenses of repairs or renewals of the impaired assets.

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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

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



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1.24 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received value 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.

Measurement

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

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

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement.



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1.24 Revenue from non-exchange transactions (continued)

Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from recovery of unauthorised, irregular and fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grants

Grants without any conditions attached are recognised as revenue when the grant is receivable.

Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality 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.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

Other receipts

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

1.25 Borrowing costs

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

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

1.26 Accounting by principals and agents

Identification

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

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

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



Accounting Policies

1.26 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.27 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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

1.28 Fruitless and wasteful expenditure

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



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Accounting Policies

1.28 Fruitless and wasteful expenditure (continued)

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

1.29 Irregular expenditure

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

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

1.30 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.31 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

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

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

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



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Accounting Policies

1.31 Budget information (continued)

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

1.32 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or entity:

- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party in making financial and operating decisions;
- or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.



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Accounting Policies

1.32 Related parties (continued)

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

1.33 Events after reporting date

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

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

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

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



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2021 2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 34: Separate Financial Statements	01 April 2020
• GRAP 35: Consolidated Financial Statements	01 April 2020
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020
• GRAP 37: Joint Arrangements	01 April 2020
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020

Please refer to note 48 for the effect of the new standards and interpretations effective and adopted in the current year.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• Guideline: Guideline on the Application of Materiality to Financial Statements	Unknown

The impact of the new standards and interpretations issued, but not yet effective is currently being assessed.

3. Inventories

Consumable stores	2,920,622	2,000,335
Maintenance materials	8,970,454	4,964,493
Water for distribution	616,145	1,167,614
	12,507,221	8,132,442

Dormant and slow moving stock at year-end 1,130,590 192,928

Inventories recognised as an expense during the year 41,934,778 40,617,435

Consumable stores materials (losses)/surpluses identified during the annual stores count 1,373,218 13,740

Inventory pledged as security

No inventory assets were pledged as security for liabilities.



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	2021	2020
4. Construction contracts and receivables		
Contracts in progress at statement of financial position date		
Construction contracts and receivables	41,497,572	20,080,155
Amounts due from/(prepaid by) customers		
Opening balance	20,080,155	16,384,630
Contracted revenue	47,954,777	62,913,747
Payments (Tranches) received during the period	(26,537,360)	(59,218,222)
Less retentions held *	-	-
Total due from /(prepaid by) customers	41,497,572	20,080,155
* Contracts with the Provincial Department and its beneficiaries are not subject to any retention.		
The aggregate amount of costs incurred to date is R 488,168,388 (2020: R 440,213,611).		
The current year costs are included in contracted services R 40,669,936 and inventory consumed R 6,622,399. The municipality recognised contracted revenue as the cost incurred.		
5. Receivables from exchange transactions		
Gross balances		
Electricity	56,330,358	44,747,608
Water	51,840,754	32,247,436
Sewerage	55,469,930	44,715,620
Refuse	48,710,881	39,647,572
Housing rental	7,124,760	7,275,413
Other (Sundry amounts)	15,849,403	11,542,374
	235,326,086	180,176,023
Less: Allowance for impairment		
Electricity	(21,906,809)	(12,893,168)
Water	(34,189,049)	(16,111,309)
Sewerage	(49,841,651)	(38,763,712)
Refuse	(42,666,731)	(34,125,564)
Housing rental	(6,384,322)	(6,502,771)
Other (Sundry amounts)	(14,139,587)	(10,736,406)
	(169,128,149)	(119,132,930)
Net balance		
Electricity	34,423,549	31,854,440
Water	17,651,705	16,136,127
Sewerage	5,628,279	5,951,908
Refuse	6,044,150	5,522,008
Housing rental	740,438	772,642
Other (Sundry amounts)	1,709,816	805,968
	66,197,937	61,043,093



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	2021	2020
5. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	25,659,978	25,582,506
31 - 60 days	3,948,105	2,131,593
61 - 90 days	2,454,378	1,426,538
91+ days	24,267,897	15,606,971
Allowance for impairment	(21,906,809)	(12,893,168)
	34,423,549	31,854,440
Water		
Current (0 -30 days)	12,647,145	10,355,259
31 - 60 days	2,463,526	1,585,425
61 - 90 days	1,990,196	1,284,902
91+ days	34,739,887	19,021,850
Allowance for impairment	(34,189,049)	(16,111,309)
	17,651,705	16,136,127
Sewerage		
Current (0 -30 days)	1,868,930	1,955,810
31 - 60 days	1,032,659	883,074
61 - 90 days	869,091	739,398
91+ days	51,699,250	41,137,338
Allowance for impairment	(49,841,651)	(38,763,712)
	5,628,279	5,951,908
Refuse		
Current (0 -30 days)	1,840,743	1,782,480
31 - 60 days	967,195	918,460
61 - 90 days	807,014	642,986
91+ days	45,095,929	36,303,646
Allowance for impairment	(42,666,731)	(34,125,564)
	6,044,150	5,522,008
Housing rental		
Current (0 -30 days)	281,046	306,321
31 - 60 days	128,256	243,932
61 - 90 days	57,079	183,119
91+ days	6,658,379	6,542,041
Allowance for impairment	(6,384,322)	(6,502,771)
	740,438	772,642
Other (Sundry amounts)		
Current (0 -30 days)	646,702	3,987,297
31 - 60 days	188,926	632,611
61 - 90 days	1,742,693	269,613
91+ days	13,271,082	6,652,853
Allowance for impairment	(14,139,587)	(10,736,406)
	1,709,816	805,968



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2021 2020

5. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

30 June 2021

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	228,689,164	3,592,950	3,043,972	235,326,086
Less: Allowance for impairment	(166,426,843)	(2,701,306)	-	(169,128,149)
	62,262,321	891,644	3,043,972	66,197,937

30 June 2020

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	175,002,979	2,769,117	2,403,927	180,176,023
Less: Allowance for impairment	(117,078,905)	(2,054,025)	-	(119,132,930)
	57,924,074	715,092	2,403,927	61,043,093

Credit quality of receivables from exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Receivables from exchange transactions past due but not impaired

All services are payable within 30 days from the invoice date. At 30 June 2021, 24,855,748 (2020: 16,453,759) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	6,289,381	4,087,188
2 months and older past due	18,566,367	12,366,571

Receivables from exchange transactions impaired

As of 30 June 2021, consumer debtors of 169,127,033 (2020: 119,132,930) were impaired and provided for.

Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	(119,132,930)	(137,196,132)
Allowance for impairment	(50,889,010)	18,063,202
Amounts written off as uncollectible	893,791	-
	(169,128,149)	(119,132,930)

The reconciliation of the 2020 allowance for impairment was restated.

The allowance for impairment in the reconciliation was disclosed as R 71 143 557 and the amounts written off as uncollectible in the reconciliation was disclosed as (R 50 080 354).



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	2021	2020
6. Receivables from non-exchange transactions		
Gross balances		
Rates	93,653,972	86,079,599
Fines	144,013,663	142,420,629
Miscellaneous	2,367,840	1,601,228
	240,035,475	230,101,456
Less: Allowance for impairment		
Rates	(26,678,761)	(27,759,387)
Fines	(129,072,705)	(123,782,829)
	(155,751,466)	(151,542,216)
Net balance		
Rates	66,975,211	58,320,212
Fines	14,940,958	18,637,800
Miscellaneous	2,367,840	1,601,228
	84,284,009	78,559,240
Ageing of receivables from non-exchange transactions:		
Rates		
Current (0-30 days)	13,627,612	17,053,569
31 - 60 days	4,548,588	4,483,838
61 - 90 days	3,328,519	3,271,898
91+ days	72,149,253	61,270,294
	93,653,972	86,079,599
Less: Allowance for impairment	(26,678,761)	(27,759,387)
	66,975,211	58,320,212
Fines and Other		
Current (0-30 days)	3,677,840	8,258,564
31 - 60 days	7,500,650	2,554,850
61 - 90 days	10,365,550	556,700
91+ days	124,837,463	132,651,743
	146,381,503	144,021,857
Less: Allowance for impairment	(129,072,705)	(123,782,829)
	17,308,798	20,239,028

Credit quality of receivables from non-exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.



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6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

All rates are payable within 30 days from the invoice date. At 30 June 2021, 65,945,169 (2020: 56,035,161) were past due but not impaired.

The ageing of rates and fines past due but not impaired is as follows:

1 month past due	3,895,029	3,842,537
2 months past due	62,050,139	52,192,624

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of 155,751,467 (2020: 145,565,382) were impaired and provided for.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	151,542,216	139,192,755
Provision for impairment	97,026,989	100,266,398
Amounts written off as uncollectible	(92,817,738)	(87,916,937)
	155,751,467	151,542,216

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Debts are required to be settled after 30 days. Interest is charged on all classes of receivables except fines and other receivables at prime +1%.

7. Statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Consumer debtors - Rates	66,975,211	58,320,212
Fines	14,940,958	18,637,800
VAT	26,352,367	21,208,307
	108,268,536	98,166,319



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Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MPR Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991.

Determination of transaction amount

Rates - Rates amount are determined in terms of section 11 of the MPR act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT - VAT is applied to all relevant goods or services as stated in the VAT act and the amount thereof is determined in terms of the VAT act.

Interest or other charges levied/charged

Rates - Interest is charged on outstanding rates.

Fines - No interest or other charges are charged on outstanding fines.

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.

No discount rate applied on the above mentioned statutory receivables to estimate future cash flows.

Statutory receivables past due but not impaired

Rates - Payment percentage of receivables are used to assess whether the receivable is impaired. Refer to note 6 for more detail on the impairment and ageing of statutory receivable past due not impaired.

Fines - Payment percentage of fines are used to assess whether the fines are impaired. Refer to note 6 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

VAT - VAT receivables from SARS is not impaired as South African Receiver of Revenue has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein. Refer to note 8 for more detail on the impairment provision.

8. VAT receivable

VAT	26,352,367	21,208,307
VAT payable	(25,878,892)	(18,225,321)
Less: Contribution to provision for impairment of trade receivables from exchange transactions	22,045,375	16,364,410
VAT receivable	23,392,164	18,384,734
Subtotal	19,558,647	16,523,823
VAT receivable / (payable) to the Receiver of Revenue - Refer to note 55	6,793,720	4,560,211
	26,352,367	21,084,034

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to SARS.

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	2021	2020
9. Unspent conditional grants and receipts		
Unspent Grants and receipts		
National Government Grants	5,689,203	6,576,319
Provincial Government Grants	1,410,244	2,263,483
Other Organisational Grants	440,000	-
	7,539,447	8,839,802
Less: Unpaid Grants		
Provincial Government Grants	13,571,161	14,212,891
	(6,031,714)	(5,373,089)
Net unspent/(unpaid) grants and receipts		
	(6,031,714)	(5,373,089)
Unspent and unpaid grants and receipts comprises of:		
Unspent conditional grants and receipts		
National: Municipal Infrastructure Grant (MIG)	(1)	6,072,795
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	56,884	56,884
National: Neighbourhood Development Partnership Grant (NDPG)	293,570	446,640
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	(13,571,161)	(14,212,891)
Provincial: Other Provincial Grants	1,410,244	2,263,483
National: Water Services Infrastructure Grant	5,338,749	-
Other Organisational Grants: Nedbank: SMME Incubat	440,000	-
	(6,031,715)	(5,373,089)

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Also refer to appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.



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	2021	2020
9. Unspent conditional grants and receipts (continued)		
Unconditional Grants		
Equitable share		
Current year receipts	107,996,000	86,321,000
Transferred to revenue - operating	(107,996,000)	(86,321,000)
	<u>-</u>	<u>-</u>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Conditional Grants

National: Financial Management Grant (FMG)

Current year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue - operating	(1,550,000)	(1,550,000)
	<u>-</u>	<u>-</u>

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

National: Municipal Infrastructure Grant (MIG)

Opening balance	6,072,795	8,458,344
Current year receipts	24,582,000	25,031,000
Conditions met - transferred to revenue - operating	(3,770,042)	(1,251,500)
Conditions met – transferred to revenue – capital	(26,884,754)	(26,165,049)
	<u>(1)</u>	<u>6,072,795</u>

The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

National: Energy Efficiency and Demand Side Management Grant (EEDSMG)

Opening balance	<u>56,884</u>	<u>56,884</u>
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The EEDSM grant is a conditional grant to focus on the determination of energy consumption baseline, supply and installation of energy efficient technologies within Municipal facilities.

National: Integrated National Electrification Program Grant (INEP)

Opening balance	-	1,013,657
Current year receipts	-	4,000,000
Conditions met – transferred to revenue – capital	-	(5,013,657)
	<u>-</u>	<u>-</u>

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.



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	2021	2020
9. Unspent conditional grants and receipts (continued)		
National: Extended Public Works Program (EPWP)		
Current year receipts	1,254,000	1,497,000
Conditions met - transferred to revenue - operating	(1,254,000)	(1,497,000)
	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

National: Neighbourhood Development Partnership Grant (NDPG)		
Opening balance	446,641	14,702,657
Current year receipts	15,000,000	20,000,000
Conditions met - transferred to revenue - operating	(2,026,922)	(2,555,220)
Conditions met - transferred to revenue - capital	(13,126,149)	(17,034,797)
Adjustments	-	(14,666,000)
	293,570	446,640

The NDPG grant is a conditional grant is to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas.

Provincial: Integrated Housing and Human Settlement Grant (IHHS)		
Opening balance	(14,212,891)	(14,391,296)
Current year receipts	7,649,310	10,985,098
Conditions met - transferred to revenue - operating	(2,265,351)	-
Conditions met – transferred to revenue – capital	(4,742,229)	(10,806,693)
	(13,571,161)	(14,212,891)

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improve quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

Provincial: Other Provincial Grants		
Opening balance	2,263,483	4,395,176
Current year receipts	11,444,000	12,010,918
Conditions met - transferred to revenue - operating	(11,062,972)	(13,061,429)
Conditions met - transferred to revenue - capital	(1,234,267)	(309,718)
Adjustments	-	(771,464)
	1,410,244	2,263,483

The other provincial grants is mainly allocated to provide financial assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end.



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	2021	2020
9. Unspent conditional grants and receipts (continued)		
District: Municipal Disaster Recovery Grant		
Current year receipts	-	417,000
Conditions met - transferred to revenue - operating	-	(417,000)
	<u>-</u>	<u>-</u>

The Municipal disaster recovery grant relate to covid 19 related expenses. The R 417 000 fund was utilised for Personal Protective Equipment (PPE).

National: Water Services Infrastructure Grant

Current year receipts	5,835,000	-
Conditions met - transferred to revenue - operating	(64,728)	-
Conditions met - transfer to revenue - capital	(431,523)	-
	<u>5,338,749</u>	<u>-</u>

The Water Services Infrastructure Grant is conditional grant to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services.

Other Organisational Grants: Nedbank: SMME Incubat

Current year receipts	440,000	-
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The grant will be used solely for interventions and activities specific to the SMME Incubator and on condition that the beneficiaries benefit directly from the proceeds.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,350	10,350
Short-term deposits	14,789,249	13,771,697
Bank balances	27,530,762	65,511,577
	<u>42,330,361</u>	<u>79,293,624</u>

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

Credit rating

Ba2 (Nedbank, ABSA, Standard Bank and Investec)	<u>42,320,028</u>	<u>79,283,274</u>
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Cash and cash equivalents pledged as collateral

Cash and cash equivalents to an amount of R 7,539,447 (2020: R 8,839,802) are held to fund the Unspent Conditional Grants. Refer to note 9.

Call Investment Deposits of R 4,906,783 (2020: R 12,549,184) have been pledged to DBSA as guarantees on external loans taken up. Refer to note 17.

Guarantees Issued

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2021 2020

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Nedbank - Primary bank account - 162 656 1826	27,129,507	68,802,702	60,240,941	27,401,952	65,272,923	43,437,200
Nedbank - Secondary account - 162 656 1834	22,134	142,408	113,936	22,134	131,791	98,114
Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139	473	55	312	473	55	312
Nedbank - Emergency Fund - 114 792 0699	106,220	106,851	3,959,135	106,220	106,808	3,959,135
Nedbank - 101 475 6022 (inactive)	-	-	-	-	-	-
Nedbank - 117 490 9129 (inactive)	-	-	-	-	-	-
Total	27,258,334	69,052,016	64,314,324	27,530,779	65,511,577	47,494,761

Call Investment Deposits consist of the following accounts:

Nedbank - 03/7881531940/54 - Ceded DBSA	4,906,783	12,549,184
Nedbank - 03/7881068957/10	-	64,863
Nedbank - 03/7881165855/01	1,756,303	-
Investec - 021941-501	591	571
ABSA - 4096329674	-	135,256
ABSA - 9073297009	2,857	2,925
Nedbank - 03/7881158212	1,054,369	1,018,898
Investec - 021941-503	7,068,345	-
	14,789,248	13,771,697



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	2021	2020
11. Long-term investments and receivables		
At amortised cost		
Fixed Deposits	4,108,488	10,807,418
Staff Housing Loans	3,866	3,866
Old Age Homes / Creche	426,245	426,245
Sundry deposits	6,800	6,800
Eastford Ridge Public Contributions	-	4,386
	<u>4,545,399</u>	<u>11,248,715</u>
Impairments	(434,497)	(434,497)
	4,110,902	10,814,218
Non-current assets		
At amortised cost	4,110,902	10,814,218

Fixed Deposits

Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941500) of R 4,108,488 (2020: R 10,807,418) which have been pledged to DBSA as guarantees on external loans taken up. Refer to note 17. These loans are non-current and consequently it is highly unlikely that the Investment will be redeemable in the following financial year.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Staff Housing Loans

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is impaired.

Old Age Homes / Creche

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

Eastford Ridge Public Contributions

The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions.

Financial assets at amortised cost impaired

The allowance for impairment on financial assets exists due to the possibility that not all these debts will be recovered. Financial assets and amortised cost were assessed individually and grouped together at the Statement of Financial position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

As of 30 June 2021, financial assets of 434,497 (2020: 434,497) were impaired and provided for.

Reconciliation of provision for impairment of financial assets at amortised cost

Opening balance	434,497	434,497
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2021 2020

12. Investment property

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	153,037,108	(83,218,395)	69,818,713	153,037,108	(83,071,169)	69,965,939

Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	69,966,819	-	-	(148,106)	69,818,713

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	71,760,363	-	(854,946)	(939,478)	69,965,939

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land. These land represents mainly public open spaces and roads vesting to the municipality.

Carrying value of land included in the carrying value of Investment properties 11,189,000 11,189,000

Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

Amounts recognised in surplus or deficit

Rental revenue from Investment property 4,358,938 4,510,677

From Investment property that generated rental revenue

Repairs and maintenance - Contracted services	82,960	42,064
Operational costs	569	-
	83,529	42,064

Other

The ownership of Erf 216/54 Brenton with a fair value of R10,600,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Knysna Municipality

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Figures in Rand

13. Property, plant and equipment

	2021		2020			
	Cost	Accumulated depreciation and - impairment	Carrying value	Cost	Accumulated depreciation and - impairment	Carrying value
Land and buildings	341,778,395	(182,157,368)	159,621,027	352,270,221	(181,584,478)	170,685,743
Infrastructure	1,342,192,859	(351,109,514)	991,083,345	1,219,001,402	(322,326,647)	896,674,755
Community assets	132,237,958	(14,413,354)	117,824,604	107,892,635	(12,610,171)	95,282,464
Other assets	127,512,602	(57,047,281)	70,465,321	126,216,657	(51,607,584)	74,609,073
Total	1,943,721,814	(604,727,517)	1,338,994,297	1,805,380,915	(568,128,880)	1,237,252,035

Reconciliation of property, plant and equipment - 2021

	Carrying Value		Cost		Accumulated Depreciation and Impairments						Carrying Value
	Opening balance	170,685,743	Additions	Disposals	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Disposals - Depreciation	Disposals - Impairment	IGRAP2 impairment	Closing balance
Land and buildings											
Operational land	124,244,717	-	-	-	-	-	-	-	-	-	124,244,717
Operational buildings	35,606,505	-	-	-	-	(572,890)	-	-	-	-	35,033,615
Work in progress	10,834,521	-	-	-	(10,491,826)	-	-	-	-	-	342,695
Infrastructure	896,674,756	121,790,330	(438,599)	-	1,839,727	(27,338,704)	395,562	-	(1,839,727)	-	991,083,345
Electrical infrastructure	209,948,206	-	-	8,578,093	-	(6,357,404)	-	-	-	-	212,168,895
Information and communication infrastructure	737,976	-	-	-	-	(118,459)	-	-	-	-	619,517
Roads infrastructure	110,946,654	-	-	21,721,576	-	(4,881,139)	-	-	-	-	127,787,091
Sanitation infrastructure	144,501,918	-	(123,111)	8,699,899	-	(5,102,926)	123,111	-	-	-	148,098,891
Solid waste infrastructure	2,400,201	-	-	-	1,839,727	(49,755)	-	-	(1,839,727)	-	2,350,446
Storm water infrastructure	23,846,940	-	-	249,999	-	(732,519)	-	-	-	-	23,364,420
Water supply infrastructure	253,823,347	-	(315,488)	46,528,659	-	(10,096,502)	272,451	-	-	-	290,212,467
Work in progress	150,469,514	121,790,330	-	(85,778,226)	-	-	-	-	-	-	186,481,618

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Figures in Rand

13. Property, plant and equipment (continued)

	Cost		Accumulated Depreciation and Impairments					Carrying Value
	Additions	Disposals	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Disposals - Depreciation Impairment	IGRAP2 impairment	Closing balance
Opening balance	95,282,464	13,853,495	-	10,491,826	(1,429,805)	(373,378)	-	117,824,602
Community assets								
Community facilities	48,094,785	110,000	-	48,172,922	(1,018,550)	-	(373,378)	94,985,779
Sport and recreational facilities	14,776,097	-	-	3,595,577	(411,255)	-	-	17,960,419
Work in progress	32,411,582	13,743,495	-	(41,276,673)	-	-	-	4,878,404
Other assets	74,609,075	4,084,846	-	(8,165,499)	2,725,803	-	-	70,465,322
Computer equipment	5,018,609	1,206,664	(48,713)	-	(1,071,430)	10,971	-	5,116,101
Furniture and office equipment	4,716,539	212,078	(2,484,223)	-	(997,104)	2,481,600	-	3,928,890
Machinery and equipment	25,946,179	1,342,611	(14,149)	-	(3,516,616)	3,414	-	23,761,439
Transport assets	38,927,748	1,323,493	(241,818)	-	(2,580,349)	229,818	-	37,658,892
	1,237,252,038	139,728,671	(3,227,502)	-	1,839,727	(37,506,898)	(373,378)	1,338,994,296

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Figures in Rand

13. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2020 (Restated)

	Carrying Value		Cost		Accumulated Depreciation and Impairments				Carrying value	
	Opening balance	Disposals	Additions	Disposals	Transfer to completed	IGRAP 2 adjustment	Depreciation charge	Disposals - Depreciation Impairment		IGRAP 2 impairment
Land and buildings	170,955,083	-	184,382	-	120,000	-	(573,722)	-	-	170,685,743
Operational land	124,244,717	-	-	-	-	-	-	-	-	124,244,717
Operational buildings	35,725,124	-	184,382	-	270,721	-	(573,722)	-	-	35,606,505
Work in progress	10,985,242	-	-	-	(150,721)	-	-	-	-	10,834,521
Infrastructure	814,719,390	109,423,925	(592,864)	(1,579,170)	(1,579,170)	-	(25,650,536)	354,011	-	896,674,756
Electrical infrastructure	204,063,109	-	(13,377)	-	12,121,432	-	(6,232,290)	9,332	-	209,948,206
Information and communication infrastructure	865,238	-	-	-	-	-	(127,262)	-	-	737,976
Roads infrastructure	115,532,966	-	-	-	539,640	-	(5,125,952)	-	-	110,946,654
Sanitation infrastructure	147,738,017	-	-	-	1,842,115	-	(5,078,214)	-	-	144,501,918
Solid waste infrastructure	2,125,665	321,740	-	-	-	-	(47,204)	-	-	2,400,201
Storm water infrastructure	24,361,756	-	(45,999)	-	250,433	-	(722,011)	2,761	-	23,846,940
Water supply infrastructure	228,946,371	-	(533,488)	-	33,386,149	-	(8,317,603)	341,918	-	253,823,347
Work in progress	91,086,268	109,102,185	-	-	(49,718,939)	-	-	-	-	150,469,514
Community assets	77,372,321	18,671,372	(118,657)	(118,657)	543,130	-	(1,185,702)	-	-	95,282,464
Community facilities	47,572,061	576,850	-	-	820,047	-	(874,173)	-	-	48,094,785
Sport & recreational facilities	14,934,814	152,812	-	-	-	-	(311,529)	-	-	14,776,097
Work in progress	14,865,446	17,941,710	(118,657)	(118,657)	(276,917)	-	-	-	-	32,411,582
Other assets	62,105,008	19,282,810	(911,982)	(911,982)	916,040	-	(7,490,545)	707,744	-	74,609,075
Computer equipment	6,130,905	219,810	(420,210)	-	-	-	(1,243,522)	331,626	-	5,018,609
Furniture and office equipment	5,764,053	506,923	(232,612)	-	-	-	(1,501,190)	179,365	-	4,716,539
Machinery and equipment	10,978,279	16,385,383	(154,084)	-	799,697	-	(2,177,458)	114,362	-	25,946,179
Transport assets	37,829,752	2,170,694	(105,076)	-	1,518,362	-	(2,568,375)	82,391	-	38,927,748
Work in progress	1,402,019	-	-	-	(1,402,019)	-	-	-	-	-
	1,125,151,802	147,562,489	(1,623,503)	(1,623,503)	-	-	(34,900,505)	1,061,755	-	1,237,252,038



Knysna Municipality

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Notes to the Audited Annual Financial Statements

	2021	2020
13. Property, plant and equipment (continued)		
Assets subject to finance lease and pledged as security		
Furniture and office equipment	-	356,303
Machinery and equipment	10,488,808	11,987,209
	10,488,808	12,343,512
Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)		
In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land.		
Carrying value of land included in the carrying value of Property, plant and equipment	14,374,700	14,374,700
Property, plant and equipment in the process of being constructed or developed:		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	342,693	10,834,521
Infrastructure	186,481,616	155,044,823
Community	4,889,451	31,886,965
	191,713,760	197,766,309
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Knysna Cemetery professional fees - Community asset Still in progress of land identification.	1,129,955	1,019,135
White location sportfields - professional fees - Community asset Still in progress of land identification.	-	3,595,577
	1,129,955	4,614,712
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Greensite development and tipsite establishment - Infrastructure This project is not completed due to the funds that were reallocated. No impairment loss has been recognised as the project will continue as and when funding becomes available.	198,140	198,140
Erf 7057 Upgrade Bonganie Sportfield - Community This project is not completed due to the funds that were reallocated. No impairment loss has been recognised as the project will continue as and when funding becomes available.	2,897,947	2,042,977
	3,096,087	2,241,117



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Notes to the Audited Annual Financial Statements

2021 2020

13. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

Contracted services	33,884,672	44,631,963
Sale of goods/Inventory	2,535,974	13,923,844
General expenses	9,121,188	5,619,096
	45,541,834	64,174,903

14. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and website	184,239	(85,387)	98,852	184,239	(66,969)	117,270

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software and website	117,270	-	(18,418)	98,852

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software and website	135,688	-	(18,418)	117,270

Pledged as security

There are no intangible assets pledged as security for liabilities.

Intangible assets in the process of being constructed or developed

No intangible assets in the process of being constructed or developed.

Restricted title

There are no intangible assets whose title is restricted.

Other information

No intangible assets were assessed having an indefinite useful life.

There are no contractual commitments for the acquisition of intangible assets.



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2021 2020

15. Heritage assets

	2021			2020		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Land of historical significance and conservation areas	26,709,000	(11,998,000)	14,711,000	26,709,000	(11,998,000)	14,711,000
Historical buildings	2,393,952	(13,952)	2,380,000	2,393,952	(13,952)	2,380,000
Works of art	83,550	-	83,550	83,550	-	83,550
Historical monuments	18,871	-	18,871	18,871	-	18,871
Book collection of historical significance	241,625	-	241,625	241,625	-	241,625
Total	29,446,998	(12,011,952)	17,435,046	29,446,998	(12,011,952)	17,435,046

Reconciliation of heritage assets 2021

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	14,711,000	14,711,000
Historical buildings	2,380,000	2,380,000
Book collection of historical significance	241,625	241,625
	17,435,046	17,435,046

Reconciliation of heritage assets 2020

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	14,711,000	14,711,000
Historical buildings	2,380,000	2,380,000
Book collection of historical significance	241,625	241,625
	17,435,046	17,435,046

Details of heritage assets

Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

There are no heritage assets pledged as security for liabilities.

There are no third party payments received for losses and impairments incurred.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGPAP 18 par 40)



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	2021	2020
15. Heritage assets (continued)		
In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land.		
Carrying value of land included in the carrying value of Heritage assets.	8,000	8,000
Heritage assets used for more than one purpose		
The following heritage assets are used by the entity for more than one purpose:		
Erf 475 Knysna: Heritage tourism building	2,822,000	2,822,000
Erf 1003 Knysna: Old goal heritage building, museum and municipal offices	3,900,000	3,900,000
	6,722,000	6,722,000
Heritage assets in the process of being constructed or developed		
No heritage assets is in the process of being constructed or developed.		
Expenditure incurred to repair and maintain heritage assets		
Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance		
Contracted services	20,911	46,082
Sale of goods/Inventory	-	75,000
Operational cost	11,328	18,800
	32,239	139,882
16. Operating lease asset (liability)		
Non-current assets	2,326,230	2,187,570
	2,326,230	2,187,570
Refer to note 45 for additional disclosure relating to the operating lease asset and accrual.		
17. Long-term liabilities		
At amortised cost		
Annuity loans	285,312,001	244,280,767
Annuity loans		
Annuity loans bear interest at rates between 7.93% and 11.69% per annum. Investec Fixed Deposit (Acc 021941-500) of R 4,108,488 and the Call Investment Deposit of R 4,906,783 have been pledged to DBSA as guarantees for external loans taken up. Refer to notes 11 and 10.		
Non-current liabilities		
At amortised cost	252,244,006	216,054,162
Current liabilities		
At amortised cost	33,067,995	28,226,605



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Notes to the Audited Annual Financial Statements

	2021	2020
18. Finance lease obligation		
Minimum lease payments due		
- within one year	4,733,752	5,157,415
- in second to fifth year inclusive	2,366,875	7,100,626
	<u>7,100,627</u>	<u>12,258,041</u>
less: future finance charges	(515,109)	(1,370,597)
Present value of minimum lease payments	<u>6,585,518</u>	<u>10,887,444</u>
Present value of minimum lease payments due		
- within one year	4,283,929	4,301,926
- in second to fifth year inclusive	2,301,589	6,585,518
	<u>6,585,518</u>	<u>10,887,444</u>
Non-current liabilities	2,301,590	6,585,517
Current liabilities	4,283,928	4,301,927
	<u>6,585,518</u>	<u>10,887,444</u>

It is municipality policy to lease certain equipment under finance leases. The office equipment is leased from Konica Minolta and Bytes and the other machinery and equipment (wheelie bins) from Impact Plastic Containers.

The average lease term was 3 years and the effective borrowing rate was 9.66% to 12.50%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The maturity date of the leases is 30 November 2020 for the office equipment and 31 December 2022 for the other machinery and equipment.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

19. Payables from exchange transactions

Accrued audit fees	13	1
Accrued Interest on Loans	654,497	786,771
Trade payables	78,956,655	92,699,708
Payments received in advanced	19,562,733	16,969,625
Retentions	15,887,130	13,026,186
Hoarding fees	11,890,000	10,136,054
Other payables	11,265,315	7,722,533
Deposits: Other	270,011	270,584
	<u>138,486,354</u>	<u>141,611,462</u>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Included in other payables is unidentified traffic fines paid, group scheme accruals and salary accruals.

Other deposits include Hall and Tender Deposits.



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Notes to the Audited Annual Financial Statements

	2021	2020
20. Consumer deposits		
Electricity	7,230,660	7,098,718
Water	5,980,361	5,780,671
Other deposits	183,143	184,326
Town Hall rental	115,116	99,856
	13,509,280	13,163,571

21. Employee benefit obligations

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

Non-current liabilities

Post-Retirement Medical Aid benefits liability	91,536,018	79,970,445
Ex-gratia pension benefits liability	77,696	93,078
Long service awards	16,458,603	14,954,603
	108,072,317	95,018,126

Current liabilities

Post-Retirement Medical Aid benefits liability	4,348,981	4,027,000
Ex-gratia pension benefits liability	11,204	11,052
Long service awards	988,000	1,576,000
Performance bonus	3,837,550	3,452,548
Staff annual bonus	7,172,727	6,442,961
Staff leave	21,999,811	22,380,858
	38,358,273	37,890,419

Total liabilities

Post-Retirement Medical Aid benefits liability	95,884,999	83,997,445
Ex-gratia pension benefits liability	88,900	104,130
Long service awards	17,446,603	16,530,603
Performance bonus	3,837,550	3,452,548
Staff annual bonus	7,172,727	6,442,961
Staff leave	21,999,811	22,380,858
	146,430,590	132,908,545

Post-retirement medical aid benefit liability

The Post-retirement benefit plan is a wholly unfunded defined benefit plan, of which the members are made up as follows:

In-service (Employees) members	354	362
In-service (Employees) non-members	317	333
Continuation members	71	65
Total members	742	760

In-service members	42,356,000	37,711,000
Continuation members	52,761,000	45,487,000
Non-members	768,000	800,000
Total unfunded liability	95,885,000	83,998,000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Keyhealth



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Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

2021 2020

21. Employee benefit obligations (continued)

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The Current-service cost for the year ending 30 June 2022 is estimated to be R 3 019 000 (2021: R 2 706 000 whereas the interest cost for the same year is estimated to be R 9 348 000 (2021: R 8 417 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	9.97 %	10.26 %
Health care cost inflation rate	6.71 %	6.34 %
Net effective discount rate	3.06 %	3.69 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

Pre-retirement: SA 85-90 mortality table
Post-retirement: PA (90) -1 ultimate mortality table

iii) Normal retirement age

It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	95,884,999	83,997,445
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Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2,706,000	3,024,003
Interest cost	8,417,000	8,366,279
Recognised actuarial losses / (gains)	4,813,670	(14,739,647)
	15,936,670	(3,349,365)

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	83,998,000	91,018,833
- Current service cost	2,706,000	3,024,003
- Interest cost	8,417,000	8,366,279
- Actuarial losses / (gains)	4,813,670	(14,739,647)
- Benefits paid	(4,049,670)	(3,671,468)
Balance at the end of the year	95,885,000	83,998,000



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Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

2021 2020

21. Employee benefit obligations (continued)

The table below summarises the accrued liabilities for the current period and the previous four periods.

Liability History	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued liability	93,082,249	91,966,011	91,018,833	83,998,000	95,885,000
	(93,082,249)	(91,966,011)	(91,018,833)	(83,998,000)	(95,885,000)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustments	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Liabilities: (Gain) / Loss	5,862,000	3,507,000	(382,000)	3,044,000	(3,312,000)
	5,862,000	3,507,000	(382,000)	3,044,000	(3,312,000)

Sensitivity analysis on the accrued liability	Change	In-service	Continuation	Total	% change
Central assumptions		43,124,000	52,761,000	95,885,000	
Health care inflation	1 %	52,867,000	57,912,000	110,779,000	16 %
Health care inflation	(1)%	35,508,000	48,293,000	83,801,000	(13)%
Discount rate	1 %	35,768,000	48,454,000	84,222,000	(12)%
Discount rate	(1)%	52,641,000	57,797,000	110,438,000	15 %
Post-retirement mortality	-1 year	44,270,000	54,575,000	98,845,000	3 %
Post-retirement mortality	1 year	41,966,000	50,954,000	92,920,000	(3)%
Average retirement age	-1 year	46,522,000	52,761,000	99,283,000	4 %
Continuation of membership at retirement	(10)%	38,163,000	52,761,000	90,924,000	(5)%

Sensitivity analysis on current-service and interest cost	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		2,706,000	8,417,000	11,123,000	
Health care inflation	1 %	3,362,000	9,695,000	13,057,000	17 %
Health care inflation	(1)%	2,201,000	7,372,000	9,573,000	(14)%
Discount rate	1 %	2,241,000	8,136,000	10,377,000	(7)%
Discount rate	(1)%	3,312,000	8,717,000	12,029,000	8 %
Post-retirement mortality	-1 year	2,772,000	8,668,000	11,440,000	3 %
Average retirement age	-1 year	2,870,000	8,770,000	11,640,000	5 %
Continuation of membership at retirement	(10)%	2,244,000	7,806,000	10,050,000	(10)%

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2021, 1 pensioners (2020: 1) were eligible for payments in terms of this plan. In-Service members are not eligible.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the interest cost for the year ending 30 June 2022 is estimated to be R 6 900 (2021: R6 257).

Pensioners	1	1
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

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Notes to the Audited Annual Financial Statements

2021 2020

21. Employee benefit obligations (continued)

i) Rate of interest		
Discount rate	8.25 %	6.34 %

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Post-retirement: PA (90) -1 ultimate mortality table

iii) Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Post-Retirement Housing Subsidy obligation	88,900	104,130
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The amount recognised in the Statement of Financial Performance are as follows:

Interest cost	6,257	6,918
Recognised actuarial losses / (gains)	(10,435)	9,602
	(4,178)	16,520

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	104,130	98,662
- Interest cost	6,257	6,918
- Actuarial losses / (gains)	(10,435)	9,602
- Benefits paid	(11,052)	(11,052)
	88,900	104,130

The table below summarises the accrued liabilities for the current period and the previous four periods:

Liability History	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued liability	135,913	130,436	98,662	104,130	88,900
Surplus / (Deficit)	(135,913)	(130,436)	(98,662)	(104,130)	(88,900)

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Liabilities: (Gain) / Loss	(23,010)	7,276	(30,379)	2,649	1,665
	(23,010)	7,276	(30,379)	2,649	1,665



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2021 2020

21. Employee benefit obligations (continued)

	Change	Total liability	% change
Sensitivity analysis on the unfunded accrued liability			
Central assumptions		89,000	
Discount rate	1 %	84,000	(6)%
Discount rate	(1)%	95,000	7 %
Post-retirement mortality	1 year	87,000	(2)%
Post-retirement mortality	-1 year	91,000	2 %
Sensitivity analysis on the interest cost			
Central assumptions		6,257	
Discount rate	1 %	6,770	8 %
Discount rate	(1)%	5,659	(10)%
Post-retirement mortality	-1 year	6,440	3 %



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2021 2020

21. Employee benefit obligations (continued)

Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021.

At year end, 671 (2020: 695) employees were eligible for Long-services awards.

The future service cost for the ensuing year is estimated to be R 1 389 000 (2021: R 1,395,000), whereas the interest cost for the ensuing year is estimated to be R 1 520 000 (2021: R 1,191,000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	9.27 %	7.56 %
General salary inflation (long-term)	5.79 %	4.11 %
Net effective discount rate	3.29 %	3.31 %

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

Pre-retirement: SA 85-90 (mixed) ultimate mortality table

iii) Normal retirement age

It has been assumed that in-service members will retire at the average age of 62.

The amounts recognised in the Statement of Financial Position are as follows:

Unfunded Long-Service Awards obligation	17,446,603	16,530,603
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Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,395,000	1,300,212
Interest cost	1,191,000	1,187,988
Recognised actuarial losses / (gains)	(274,392)	(2,245)
	2,311,608	2,485,955



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2021 2020

21. Employee benefit obligations (continued)

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	16,530,604	14,906,329
- Current service cost	1,395,000	1,300,212
- Interest cost	1,191,000	1,187,988
- Recognised actuarial losses / (gains)	-	(2,245)
- Benefits paid	(1,395,608)	(861,680)
	17,720,996	16,530,604

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued Liability	12,601,046	13,851,126	14,906,329	16,530,603	17,445,000
Surplus / (Deficit)	(12,601,046)	(13,851,126)	(14,906,329)	(16,530,603)	(17,445,000)

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Liabilities: (Gain) / Loss	(201,648)	507,158	299,587	860,755	(280,714)
	(201,648)	507,158	299,587	860,755	(280,714)

Sensitivity analysis on the unfunded accrued liability

	Change	Liability	% change
Central assumptions		17,445,000	
General salary inflation	1 %	18,580,000	7 %
General salary inflation	(1)%	16,418,000	(6)%
Discount rate	1 %	16,390,000	(6)%
Discount rate	(1)%	18,631,000	7 %
Average retirement age	-2 years	15,424,000	(12)%
Average retirement age	+2 years	19,365,000	11 %
Withdrawal rates	x2	13,959,000	(20)%
Withdrawal rates	x0.5	19,858,000	14 %

Sensitivity analysis on current-service and interest costs

	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		1,395,000	1,191,000	2,586,000	
General salary inflation	1 %	1,516,000	1,277,200	2,793,200	8 %
General salary inflation	(1)%	1,287,000	1,114,000	2,401,000	(7)%
Discount rate	1 %	1,297,000	1,259,000	2,556,000	(1)%
Discount rate	(1)%	1,506,000	1,111,000	2,617,000	1 %
Average retirement age	-2 years	1,261,000	1,052,000	2,313,000	(11)%
Average retirement age	+2 years	1,524,000	1,330,000	2,854,000	10 %
Withdrawal rates	x2	1,000,000	930,000	1,930,000	(25)%
Withdrawal rates	x0.5	1,693,000	1,374,000	3,067,000	- %



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21. Employee benefit obligations (continued)

Multi-employer retirement benefit information

Both the Consolidated Retirement Fund for local government and LA Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund is in a sound financial position with a funding level of 100%.

Council Contributions paid recognised in the Statements of Financial Performance	222,420	208,954
Employee Contributions paid recognised in the Statements of Financial Performance	111,210	104,477
	333,630	313,431

Consolidated Retirement Fund for local government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 118%.

Council Contributions paid recognised in the Statements of Financial Performance	26,741,393	25,616,839
Employee Contributions paid recognised in the Statements of Financial Performance	13,514,514	12,970,290
	40,255,907	38,587,129

Municipal Councillors Pension Fund

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.



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21. Employee benefit obligations (continued)

Performance bonuses

The movement on the performance bonus obligation consist of the following:

Balance at the beginning of the year	3,452,548	2,740,142
Payments	(515,233)	-
Additional performance bonus accrual recognised during the year	900,235	712,406
	3,837,550	3,452,548

Performance bonuses are paid to the municipal Manager and section 56 Directors after an evaluation of performance by the council.

Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Balance at the beginning of the year	6,442,961	5,869,179
Payments	(7,045,988)	(11,309,259)
Additional bonus accrual recognised during the year	7,775,755	11,883,041
	7,172,728	6,442,961

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.

Staff leave

The movement on the leave accrual consist of the following:

Balance at the beginning of the year	22,380,858	19,800,495
Payments	(1,871,706)	(1,433,740)
Additional staff leave accrual recognised during the year	1,490,659	4,014,103
	21,999,811	22,380,858

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.



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22. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	16,864,028	(444,520)	1,218,478	1,839,727	19,477,713

Reconciliation of provisions - 2020

	Opening Balance	Utilised during the year	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	17,180,012	(509,523)	1,155,833	(962,294)	16,864,028
Non-current liabilities				18,977,713	10,824,028
Current liabilities				500,000	6,040,000
				19,477,713	16,864,028

Landfill sites

The provision is for the rehabilitation of 2 landfill sites and 2 refuse transfer stations. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Zutari (Pty) Ltd have been applied.

It is estimated that the rehabilitation process will be finalised in 2022 for the Brenton on sea landfill site and 2026 for the Old place landfill site.

The movement in the provision of the landfill site in the 2021 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill site. The change in discount rates and estimates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Index which is calculated at 3.56% (2020: 3.68%).

The cost as at 30 June 2020 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

23. Service charges

Sale of electricity	275,115,778	259,990,687
Sale of water	72,574,572	64,144,094
Sewerage and sanitation charges	26,644,466	26,770,818
Refuse removal	25,890,698	23,083,568
	400,225,514	373,989,167

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.



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	2021	2020
24. Rental of facilities and equipment		
Premises		
Hire of halls	82,562	94,686
Investment property	4,358,938	4,510,677
	4,441,500	4,605,363
Facilities and equipment		
Rental of equipment	22,844	39,656
Bulk containers	528,821	534,618
Caravan park	763,099	630,811
	1,314,764	1,205,085
	5,756,264	5,810,448
25. Operational revenue		
Collection charges	2,894,934	2,533,623
Incidental cash surpluses	2,987	2,747
Merchandising, jobbing and contracts	2,114,736	178,682
Request for information - Municipal information and statistics	77,017	6,226
Skills development levy refund	351,677	425,967
Sundries	459,544	364,435
	5,900,895	3,511,680



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	2021	2020
26. Property rates		
Rates received		
Rateable Land and Buildings		
Residential	171,393,734	161,019,743
Commercial	31,527,058	30,872,505
State	5,565,968	5,398,015
Agriculture / Rural	1,201,339	1,142,837
Accommodation	19,054,029	19,127,957
Church	176,935	1,825
Light Industrial	4,169,770	4,112,304
Other - Pensioners etc.	1,267,311	247,638
Rebates		
Less: Income forgone / Rebates	(6,922,215)	(8,474,981)
	227,433,929	213,447,843
Valuations (R'000)		
Residential	23,184,022	22,464,210
Commercial	2,102,669	2,150,618
State	620,146	609,395
Municipal	372,101	384,961
Agricultural / Rural	637,091	600,031
Accommodation	1,874,702	1,963,252
Church	111,493	111,483
Light industrial	275,596	273,966
Other - Pensioners etc.	160,685	565,382
Public benefit and - infrastructure	81,142	78,517
	29,419,647	29,201,815

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2017. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the Rand for domestic properties of R 0.0075158 was charged on the total market value. Businesses were charged at a rate of R 0.0150327 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 50 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

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Notes to the Audited Annual Financial Statements

	2021	2020
27. Transfers and subsidies		
Operating grants		
Equitable share	107,996,000	86,321,000
National : Financial Management Grant (FMG)	1,550,000	1,550,000
National : Municipal Infrastructure Grant (MIG)	3,770,042	1,251,500
National Extended Public Works Program (EPWP)	1,254,000	1,497,000
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	2,265,351	-
Other Provincial Grants	11,062,972	13,061,429
District : Municipal Disaster Recovery Grant	-	417,000
National: Water Services Infrastructure Grant	64,728	-
National: Neighbourhood Development Partnership Grant (NDPG)	2,026,922	-
	129,990,015	104,097,929
Capital grants		
National: Municipal Infrastructure Grant (MIG)	26,884,754	26,165,048
National : Integrated National Electrification Program Grant (INEP)	-	5,013,657
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	4,742,229	10,806,693
Provincial: Other Provincial Grants	1,234,267	309,718
National: Water Services Infrastructure Grant	431,523	-
National: Neighbourhood Development Partnership Grant (NDPG)	13,126,149	19,590,016
	46,418,922	61,885,132
	176,408,937	165,983,061
Conditional and Unconditional		
Included in above are the following grants and subsidies recognised:		
Conditional grants received	68,412,937	79,662,061
Unconditional grants received	107,996,000	86,321,000
	176,408,937	165,983,061
Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA		
Equitable share	107,996,000	86,321,000
Community Services	26,454,687	31,745,833
Electricity	-	5,013,656
Finance	2,193,273	1,568,330
Planning	8,261,581	12,303,693
Technical	31,503,397	29,030,549
Undefined Difference	1	-
	176,408,937	165,983,061
Grants received per directorate during the year (Excluding equitable share)		
Community services	24,934,000	29,944,918
Electricity	-	4,000,000
Finance	2,350,000	1,929,000
Planning	9,343,309	12,482,097
Technical	31,127,000	27,135,000
	67,754,309	75,491,015



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	2021	2020
28. Fines, Penalties and Forfeits		
Traffic fines	107,635,750	94,851,750
Property rates penalties	4,416,417	5,052,685
Other fines	1,103,602	558,651
	113,155,769	100,463,086
29. Contributions recognised - donated assets		
Contributed property, plant and equipment	651,263	20,850
General public - Millwood museum	-	2,928
Public contributions and donations	517,800	107,550
	1,169,063	131,328
Conditions still to be met - remain liabilities (see note 9)		
30. Employee related costs		
Salaries and Wages	161,600,325	160,495,061
Contributions for UIF, Pensions and Medical Aids	45,392,102	44,278,510
Travel, motor car, accommodation, subsistence and other allowances	17,826,092	17,738,402
Housing benefits and allowances	3,045,457	2,816,822
Overtime payments	17,694,365	17,326,780
Performance bonuses	900,235	704,944
Bonus	12,937,029	11,712,769
Leave pay provision charge	1,490,660	4,014,103
<u>Defined Benefit Plan Expenses: Post-Retirement Medical Aid</u>		
Current Service Cost	2,706,000	3,024,000
Actuarial (Gains)/Losses	4,813,670	(14,739,628)
Interest cost	8,417,000	8,366,300
<u>Defined Benefit Plan Expenses: Ex-gratia pension</u>		
Actuarial (Gains)/Losses	(10,435)	9,602
Interest cost	6,257	6,918
<u>Defined Benefit Plan Expenses: Long service awards</u>		
Current Service Cost	1,395,000	1,300,212
Actuarial (Gains)/Losses	(274,392)	(2,264)
Interest cost	1,191,000	1,187,988
	279,130,365	258,240,519



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	2021	2020
30. Employee related costs (continued)		
Remuneration of the Municipal Manager:		
Remuneration of Municipal Manager - SW Vatala		
Annual Remuneration	823,160	813,973
Car Allowance	264,000	264,000
Housing Allowance	72,000	72,000
Scarcity Allowance	-	157,368
Contributions to UIF, Medical and Pension Funds	239,848	234,291
	1,399,008	1,541,632
Remuneration of the Acting Municipal Manager - DJ Adonis (From 12 December - current)		
Acting Allowance	20,211	-
Car Allowance	75,061	-
Annual remuneration	476,948	-
Contributions to UIF, Medical and Pension Funds	136,384	-
Bargaining Council	65	-
	708,669	-
Remuneration of the Acting Municipal Manager - LA Scheepers (From 11 June 2020 - 11 December 2020)		
Annual Remuneration	606,010	61,312
Contributions to UIF, Medical and Pension Funds	5,053	149
Car Allowance	9,388	-
Leave pay	20,653	-
	641,104	61,461
Remuneration of the Acting Municipal Manager - MR Gratz		
Annual Remuneration	-	385,272
Car Allowance	-	47,872
Contributions to UIF, Medical and Pension Funds	149	2,331
Leave pay	43,337	-
	43,486	435,475



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	2021	2020
30. Employee related costs (continued)		
Remuneration of the Director Financial Services:		
Remuneration of the Director Financial Services -Mr M Memani (July 2020 - October 2020)		
Annual Remuneration	292,312	871,627
Car Allowance	40,000	120,000
Bonuses	55,000	60,000
Telephone allowance	7,600	22,800
Contributions to UIF, Medical and Pension Funds	64,115	192,162
Scarcity allowance	-	159,907
Leave pay	121,337	-
	580,364	1,426,496
Remuneration of the Acting Director Financial Services - J Carstens (November 2020 - Current)		
Annual Remuneration	683,924	-
Car Allowance	64,000	-
Contributions to UIF, Medical and Pension Funds	8,697	-
	756,621	-
Remuneration of the Acting Director Financial Services - M Michaels (From 8 September 2020 - October 2020)		
Acting Allowance	15,784	-
Annual Remuneration	36,402	-
Car Allowance	10,170	-
Contributions to UIF, Medical and Pension Funds	11,608	-
Bargaining Council	9	-
	73,973	-
Remuneration of the Director Planning and Development:		
Remuneration of the Director Planning and Development - Ms M Boyce		
Annual Remuneration	939,518	941,636
Car Allowance	60,000	60,000
Performance Bonuses	-	125,081
Contributions to UIF, Medical and Pension Funds	243,638	244,069
Telephone allowance	22,800	22,800
Scarcity Allowance	-	159,907
	1,265,956	1,553,493
Remuneration of the Director Technical Services:		
Remuneration of the Director Technical Services - P Hariparsad		
Annual Remuneration	959,454	946,590
Car Allowance	156,000	156,000
Scarcity Allowance	-	128,636
Contributions to UIF, Medical and Pension Funds	36,121	36,739
	1,151,575	1,267,965



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	2021	2020
30. Employee related costs (continued)		
Remuneration of the Director Corporate Services:		
Remuneration of the Director Corporate Services - POB Makoma		
Annual Remuneration	827,139	818,598
Car Allowance	94,128	94,128
Scarcity Allowance	-	128,636
Contributions to UIF, Medical and Pension Funds	225,069	221,520
	1,146,336	1,262,882
Remuneration of the Director Community Services		
Remuneration of the Director Community Services - E Phillips (From July 2020 - October 2020)		
Annual Remuneration	257,933	773,798
Car Allowance	45,200	135,600
Scarcity Allowance	-	128,636
Contributions to UIF, Medical and Pension Funds	75,340	225,218
Leave pay	75,277	-
	453,750	1,263,252
Remuneration of the Acting Director Community Services - X Frans (November 2020 - April 2021)		
Annual Remuneration	346,246	-
Car Allowance	77,391	-
Contributions to UIF, Medical and Pension Funds	108,532	-
Housing Allowance	6,400	-
Bonusses	52,174	-
Bargaining Council	66	-
Acting Allowance	19,473	-
	610,282	-
Remuneration of the Acting Director Community Services - R Bower (June 2021 - Current)		
Annual Remuneration	33,130	-
Car Allowance	7,708	-
Contributions to UIF, Medical and Pension Funds	10,608	-
Bargaining Council	7	-
Acting Allowance	4,459	-
	55,912	-



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	2021	2020
30. Employee related costs (continued)		
Remuneration of the Director Housing		
Remuneration of the Director Housing - VJ Mkungwana (July 2020 - February 2021)		
Annual Remuneration	649,450	1,060,484
Car Allowance	70,000	120,000
Contributions to UIF, Medical and Pension Funds	39,862	62,009
Leave pay	6,120	-
	765,432	1,242,493
Remuneration of the Acting Director Housing - DJ Adonis (July 2020 - 11 December 2020)		
Annual Remuneration	388,389	-
Car Allowance	61,156	-
Contributions to UIF, Medical and Pension Funds	109,843	-
Bargaining Council	51	-
Bonusses	72,720	-
Acting Allowance	19,430	-
	651,589	-
Remuneration of the Acting Director Housing - LA Petuna (12 December 2020 - Current)		
Annual Remuneration	244,801	-
Car Allowance	60,748	-
Contributions to UIF, Medical and Pension Funds	79,395	-
Bargaining Council	51	-
Scarcity Allowance	19,584	-
Acting Allowance	42,746	-
	447,325	-
The aggregated effect of remuneration of key management personnel		
Annual Remuneration	7,564,816	6,673,290
Car Allowance	1,094,950	997,600
Housing Allowance	78,400	72,000
Scarcity Allowance	19,584	863,090
Contributions to UIF, Medical and Pension Funds	1,394,262	1,218,488
Telephone Allowance	30,400	45,600
Acting Allowance	122,103	-
Bonuses	179,894	185,081
Leave pay	266,724	-
Bargaining Council	249	-
	10,751,382	10,055,149



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	2021	2020
31. Remuneration of councillors		
Councillor - H Stroebel	293,152	253,177
Councillor - L Opperman	228,747	171,005
Councillor - PJ Bester	191,728	-
Councillor - JA Lopes	15,737	-
Councillor - CD Croutz	652,013	538,894
Councillor - L Davis	296,752	296,752
Councillor - TM Gombo	693,400	695,135
Councillor - SI Kwinana	293,152	293,952
Councillor - MG Matiwane	297,290	377,391
Councillor - AJP Makhetha	239,740	-
Councillor - PJ Myers	-	312,103
Councillor - MN Naki	293,152	293,152
Councillor - D Pofadder	-	87,896
Councillor - MW Salaze	652,013	628,609
Councillor - MD Skosana	652,013	538,894
Councillor - ST Sabbagh	191,728	-
Councillor - NA Tsengwa	693,400	693,400
Councillor - L Tyokolo	293,152	293,152
Councillor - EO Van Aswegen	858,949	321,001
Councillor - ACF Weideman	302,752	302,752
Councillor - M Willemse	-	218,037
Councillor - GR Wolmarans	302,752	302,752
Councillor - IS Uys	82,572	388,350
Councillor - TC Matika	652,013	538,359
Councillor - ML Wasserman	308,051	266,825
Councillor - SS Ngqezu	296,752	296,752
	8,781,010	8,108,340

2021 - Remuneration paid to councillors can be summarised as follows

	Annual Remuneration	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	620,812	206,937	31,200	-	-	858,949
Executive deputy mayor	472,645	99,330	31,200	19,328	70,899	693,402
Speaker	413,356	165,550	31,200	21,290	62,003	693,399
Mayoral Committee Members	2,326,032	170,485	145,200	49,720	143,320	2,834,757
Councillors	2,911,010	268,406	441,160	-	84,853	3,705,429
	6,743,855	910,708	679,960	90,338	361,075	8,785,936

2020 - Remuneration paid to councillors can be summarised as follows

	Annual Remuneration	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	192,462	64,154	13,700	-	-	270,316
Executive deputy mayor	489,452	99,330	31,200	-	73,418	693,400
Speaker	417,291	165,550	31,200	18,500	62,594	695,135
Mayoral Committee Members	1,944,797	410,352	155,800	19,696	118,497	2,649,142
Councillors	2,941,543	290,726	460,191	13,471	94,416	3,800,347
	5,985,545	1,030,112	692,091	51,667	348,925	8,108,340

32. Bad debts written off

Bad debts written off	-	47,501,672
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Bad debts written off relates to historical debt on water services for all households, excluding the Councillors and municipal officials. This has been unanimously resolved at a special council meeting (SC02/07/19) on 29 July 2019.



Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

	2021	2020
33. Debt impairment		
Receivables from exchange transactions - Refer to note 5	50,889,010	(18,063,202)
Receivables from non-exchange transactions - Refer to note 6	97,028,892	100,266,398
Contributions from Value Added Tax - Refer to note 8	(5,680,965)	(1,852,118)
	142,236,937	80,351,078
34. Depreciation and amortisation		
Property, plant and equipment	37,506,908	34,900,498
Investment property	148,106	144,720
Intangible assets	18,418	18,418
	37,673,432	35,063,636
35. Impairment of assets		
Impairments		
Property, plant and equipment	2,319,238	(957,362)
<p>The recoverable amount of the asset impaired was based on its value in use. The impairment loss / (gain) recognised for Property, Plant and Equipment relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reached the end of its useful life. No further economic benefits is expected from these assets.</p>		
36. Finance costs		
Annuity loans	21,047,629	18,031,501
Finance leases	855,489	668,915
Landfill Sites	1,218,479	1,155,834
Other	32,675	44,123
	23,154,272	19,900,373
37. Lease rentals on operating lease		
Premises		
Contractual amounts	5,563,672	5,440,040
Equipment		
Contractual amounts	5,424,409	5,274,191
	10,988,081	10,714,231
38. Bulk purchases		
Electricity - Eskom	199,242,027	188,257,343



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Notes to the Audited Annual Financial Statements

	2021	2020
39. Contracted services		
Consultants and Professional Services		
Business and Advisory: Project Management	4,749,991	3,366,390
Business and Advisory: Business and Financial Services	1,024,978	2,395,732
Business and Advisory: Valuer and Assessors	1,098,235	354,488
Business and Advisory: Other	2,625,372	3,940,043
Infrastructure and Planning: Engineering	868,469	2,871,496
Infrastructure and Planning: Other	6,680	226,999
Legal costs	11,491,823	9,934,847
Other	406,824	9,037
Contractors		
Building	46,062,786	58,605,454
Electrical	5,757,200	1,430,644
Tourism	4,730,000	4,300,000
Maintenance	36,008,163	54,530,143
Management of Informal Settlements	1,364,336	4,177,847
Prepaid Electricity Vendors	10,228,195	6,816,056
Sewerage Services	2,032,447	4,961,629
Other	2,891,856	3,210,708
Outsourced Services		
Administrative and Support Staff	8,142,982	3,000,686
Business and Advisory	2,472,368	3,818,481
Clearing and Grass Cutting Services	2,942,661	741,161
Internal Auditors	303,250	243,214
Meter Management	1,644,775	1,948,215
Refuse Removal	534,476	811,121
Security Services	13,079,571	9,055,316
Traffic Fines Management	3,164,915	2,153,560
Alien Vegetation Control	27,689	710,178
Litter Picking and Street Cleaning	944,699	3,713,653
Other	2,026,800	1,195,131
	166,631,541	188,522,229
40. Transfers and subsidies		
Other subsidies		
Grants-in-aid and donations	404,540	447,724
Bursaries	853,273	-
Social relief	140	1,964,248
	1,257,953	2,411,972
41. Inventory consumed		
Consumables - Standard rated	7,780,488	12,062,523
Consumables - Zero rated	7,598,641	10,285,093
Materials and supplies	23,977,132	18,269,819
Housing stock	2,578,517	-
	41,934,778	40,617,435

Certain items has been classified incorrectly in the previous financial period and the comparative disclosure was amended from the previous year disclosure.

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Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

	2021	2020
42. Operational costs		
Advertising and media	1,256,963	1,086,162
Auditors remuneration*	4,975,034	5,446,734
Bank charges	1,356,555	1,550,138
Clearing of alien vegetation	481,060	492,500
Delivery expenses	1,356,377	1,328,465
Entertainment	-	3,499
Hire	5,046,447	1,948,246
IT expenses	7,185,931	8,595,658
Insurance	5,236,101	4,526,701
Levies	2,260,506	2,178,034
Other expenses*	5,249,736	5,156,040
Printing, publications and books	129,851	212,874
Staff related (recruitment, training, etc.)	1,170,968	771,142
Subscriptions and membership fees	4,212,673	4,661,591
Title deed search fees	131,221	63,688
Travel - local	164,752	1,295,185
	40,214,175	39,316,657

Other expenses largely include costs incurred relating refuse removal.

* Remuneration of the audit committee amounting to R 366 672 was incorrectly previously classified as Auditors remuneration. The comparative disclosure was amended from the previous year disclosure.

43. Cash generated from operations

Surplus	50,538,868	33,256,251
Adjustments for:		
Depreciation and amortisation	38,101,266	35,068,053
Loss / (gain) on sale of assets and liabilities	(542,176)	(651,372)
Finance costs - Finance leases	12,672	-
Impairment loss	1,839,727	(962,294)
Debt impairment	142,236,937	80,351,078
Movements in operating lease assets and accruals	(138,660)	(236,737)
Movements in employee benefit obligations	13,522,045	(1,524,535)
Movements in provisions (excluding IGRAP2 adjustment)	773,959	646,309
Bad debts written off	-	47,501,672
Public contributions and donations	(651,263)	(20,850)
Grants and conditional public contributions received	175,750,309	146,374,551
Grants paid	(176,408,938)	(165,983,062)
Changes in working capital:		
Inventories	(4,374,779)	2,158,080
Receivables from exchange transactions	(55,437,370)	17,570,273
Other receivables from non-exchange transactions	(97,678,069)	(144,255,969)
Prepayments	(100,446)	1,993,587
Construction contracts and receivables	(21,417,417)	(3,695,525)
Payables from exchange transactions	(3,088,970)	24,794,196
VAT	(5,144,059)	(1,464,302)
Consumer deposits	345,709	239,210
	58,139,345	71,158,614



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Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

	2021	2020
44. Financial instruments disclosure		
Categories of financial instruments		
2021		
Financial assets		
	At amortised cost	Total
Unpaid conditional grants	13,571,160	13,571,160
Long-term investments and receivables		
Fixed deposits	4,108,488	4,108,488
Sundry deposits	6,800	6,800
Construction contracts and receivables	41,497,572	41,497,572
Receivables from exchange transactions		
Service debtors	63,747,683	63,747,683
Housing rentals	740,438	740,438
Other debtors	1,709,816	1,709,816
Cash and cash equivalents	42,330,361	42,330,361
	167,712,318	167,712,318
Financial liabilities		
	At amortised cost	Total
Other financial liabilities		
Annuity loans	285,312,001	285,312,001
Trade and other payables from exchange transactions (Excl payments received in advance)	118,923,621	118,923,621
Consumer deposits	13,509,280	13,509,280
Finance lease obligation	6,585,518	6,585,518
	424,330,420	424,330,420
2020		
Financial assets		
	At amortised cost	Total
Unpaid conditional grants	14,212,889	14,212,889
Long-term investments and receivables		
Fixed deposits	10,807,418	10,807,418
Sundry deposits	6,800	6,800
Construction contracts and receivables	20,080,155	20,080,155
Receivables from exchange transactions	-	-
Service debtors	59,464,483	59,464,483
Housing rentals	772,642	772,642
Other debtors	805,968	805,968
Cash and cash equivalents	79,293,624	79,293,624
	185,443,979	185,443,979



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	2021	2020
Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Other financial liabilities		
Annuity loans	244,280,767	244,280,767
Trade and other payables from exchange transactions (Excl payments received in advance)	124,641,837	124,641,837
Consumer deposits	13,163,571	13,163,571
Finance lease obligation	10,887,444	10,887,444
	392,973,619	392,973,619

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure	49,023,624	134,150,428
• Community	13,295	10,950,352
• Other Assets	16,407,223	-
	65,444,142	145,100,780

This expenditure will be financed from:

External loans	50,331,586	45,754,215
Government grants	13,786,505	68,919,335
Own resources	1,326,051	30,427,230
	65,444,142	145,100,780

The commitments are disclosed VAT exclusive.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	131,578	124,710
- in second to fifth year inclusive	558,456	544,886
- later than five years	10,843,595	10,988,743
	11,533,629	11,658,339

This lease income was determined from contracts that have a specific conditional contractual income. The leases are in respect of land and buildings being leased for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements. The municipality did not receive any contingent rent during the year.

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	2021	2020
46. Contingencies		
Contingent liabilities		
The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
Claims against council		
PL Bruwer vs The RAF and KM (Case no. 72310/2012) . The municipality is the second respondent in a claim for personal injury due to a road accident.	1,000,000	1,000,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21933/16). This is a High Court litigious matter. Status: Plaintiff appointed an attorney of record.	20,500,000	20,500,000
J G C LAW V KNYSNA MUNICIPALITY	1,300,000	
KM vs Brenton Haven - Claim in terms of Services Agreement for municipal services provided. (excluding interest)	-	1,008,341
Granville R Bond o.b.o Jineil Jaffa	8,460,000	
Garth Bock vs KM - Alleged breach of contract in respect of the upgrading of the ablution facilities at the Hornlee Sportsgrounds (Damages claim)	204,095	184,095
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21937/16). This is a High Court litigious matter . Status: Plaintiff proceedings to trial.	21,400,000	21,400,000
Aubrey Tsengwa vs KM and two others (LAC Case no. CA1/2016). This is a labour courtmatter against the Knysna Municipality. Status: Matter taken on appeal after KM was successful in opposing the Labour Court proceedings.	1,000,000	1,000,000
Entsha Henra vs KM - The claimant had instituted arbitration proceedings seeking payments from KM in respect of time related vis-a vis works attended by them Tenders T15 and T18 of 2015	-	35,000
Thabo Pitsi Mabula vs KM and two others (LC Case no. 955/2015). This is a labour court matter against the KM.	1,000,000	1,000,000
Rotter vs KM - The plaintiff instituted action against KM for damages together with interest and costs resultant form injuries suffered after a manhole cover collapsed.	565,000	565,000
MG Parkin and Twenty Others vs Knysna Local Municipality. Action proceedings in the Western Cape High Court, case no 5855/20. Damages claims by Twenty Plaintiffs arising from the fire that allegedly started at Elandskraal on 7 June 2017.	18,231,184	18,231,184
Kamashabe B & E Projects & others // Knysna Municipality	-	5,400,000
Velile Waxa // Independent Electoral Commission and others.	400,000	600,000
Trackstar Trading Pty Ltd vs Knysna Municipality. KM refusal of Trackstar's LUPO application for rezoning, sub-division and departure	900,000	1,700,000
Eskom Holding Soc Limited // Knysna Municipality	500,000	500,000
D Adonis and 5 others vs Knysna Municipality (Labour court matter). Potential legal cost estimation for outstanding bonuses claimed against the municipality.	2,878,082	2,442,914
KM vs Erf 426 Boggomsbaai CC REF ES1179 Outstanding rates and taxes	133,980	158,980
Dirk Claassen Family Trust	-	2,400,000
Ambrose Trading (PTY) Ltd t/a Food lovers & 9 others// Knysna Municipality an 3 others Case No: 1347/19	-	1,000,000
KM vs Erf 426 Boggomsbaai CC REF ES1396	88,980	20,000
KM vs Marina REF: ES1645 Outstanding rates and taxes	60,000	65,000
KM vs CF & LM Guthrie Outstanding rates and taxes	60,000	65,000
KM vs Myles Betrand Dent	26,821	56,821
KM vs Birgit Christine Lutzen - (There is a possibility that the Municipality will be reimbursed partially or wholly for the litigation they face.)	4,900,000	4,900,000
	83,608,142	84,232,335



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Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

2021 2020

46. Contingencies (continued)

Contingent assets

It has been unanimously resolved at the council meeting dated 6 August 2020 that the Acting Municipal Manager be instructed to address correspondence to the Garden Route District Municipality to request the transfer of the following properties to the Knysna Municipality estimated to the value of R 64 080 000.

1. Portions 1, 2 & 3 of the Farm Walker's point (R20 200 000)
2. Erf 2790, Knysna (R2 900 0000)
3. Erf 20,21,22 Belvidere (R460 000 ; R460 000; R460 000)
4. Portion 22 of the farm Westford (R600 000)
5. Portion 0,1 and 2 of the farm 185 George; (R39 000 000)

The contingent assets, as disclosed in Note 46 of the Annual Financial Statements as at 30 June 2021, are continuously assessed by management.

In consideration of the reasons provided hereunder, Knysna Municipality is firmly of the opinion that there is more than a 50% probability of success in the disputed properties being transferred to Knysna Municipality. Based on the legal opinions considered by the Knysna Municipality which were provided by senior counsel to the Garden Route District Municipality and the Knysna Municipality respectively. Based on the user principle, Knysna Municipality manages several of the properties for which income is derived, and therefore provides an economic benefit to the Knysna Municipality. Based on the fact that the Garden Route District Municipality has not raised any objection in an attempt to prevent Knysna Municipality from utilising any of the disputed properties.

On 04 September 2020 a formal notification was provided to the Municipal Manager of the Garden Route District Municipality with regards to the dispute of the abovementioned properties.

The notification was made on the basis that the parties have attempted to negotiate a resolution of the dispute and have not been successful in achieving settlement and have complied with the provisions of the Intergovernmental Relations Framework Act 13 of 2005, in that the parties have conducted various negotiations on the above commencing on or during 20 June 2012, with the last proposed engagement of 15 July 2021 being postponed.

Various unsuccessful consultations and correspondence between the Knysna Municipality and the Garden Route District Municipality has resulted in an intergovernmental dispute being raised, to which the MEC for Local Government was approached to appoint an arbitrator to resolve the contingent asset dispute.

All of the above has been confirmed by council at a council meeting held on the 29th of July 2021.



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Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

2021 2020

47. Related parties

Relationships	
Councillors	Refer to the General information
Municipal Manager	Refer to the General information
Members of key management	Director Community Services Director Corporate Services Director Financial Services Director Planning and Development Director Technical Services Members of SCM who can influence awards

Related party transactions

Year ended 30 June 2021

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	21,342	74,368	3,439	11,527
Municipal Manager and Section 56 Personnel	23,453	100,571	186,378	22,362
	44,795	174,939	189,817	33,889

Year ended 30 June 2020

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	23,074	102,050	10,711	35,733
Municipal Manager and Section 56 Personnel	14,813	68,029	199,422	21,171
	37,887	170,079	210,133	56,904

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 11 to the Annual Financial Statements.

Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

Other Supply Chain Transactions

The following purchases were made during the year where Councillors or Staff have an interest:

Councillor/Staff member	Relationship	Entity	2021	2020
Ms. N Mlisana (Procurement Clerk)	Brother	Mtimkulu: S	12,500	79,250
Ms. C Bezuidenhout (Chief Clerk: Procurement)	Husband	W Bezuidenhout t/a Bezuidenhout Funerals	30,600	-
Ms. E Damane (Director)	Spouse	E4D Construction (Pty)Ltd	244,639	280,351
Mrs R Parry (Manager-Water Sewer)	Spouse	CX Storage (Pty) Ltd	196,000	162,240
Mr Tsengwa (Deputy Executive Mayor)		Tsengwa TW T/A Tsengwa Civil	447,854	459,952
			931,593	981,793

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Notes to the Audited Annual Financial Statements

2021 2020

47. Related parties (continued)

CX Storage (Pty) Ltd, Tsengwa TW and awards to close family members of persons in service of the state (SCM Regulation 49) was incorrectly not included in the prior year financial statement. The comparative figures has been ammended.

Awards to close family members of persons in service of the state - SCM Regulation 45

The following rewards were made during the year to suppliers who have close family members in service of the state, however these suppliers does not meet the definition of related parties as per GRAP 20. Therefore, the information disclosed below should be disclosed in Note 54 (Additional disclosure in terms of Municipal Finance Management Act). The correction will be made with the compilation of the 2021/2022 Annual Financial Statements:

Company name	Relationship	Entity	Awarded amount 2021	Awarded amount 2020
Ikapa Reticulation and Flow cc (Rates tender)	Spouse	Department of Education	1,857,641	-
Development Bank of South Africa		Development Bank of South Africa	25,174,418	14,905,076
Emakozeni Trading Enterprise (as and when required)	Spouse	DTI	1,526	-
Eden Events (Rates tender)	Spouse	Department of Health	210,818	105,159
Loerie Empowerment	Spouse		-	-
National Sea Rescue Institute	Spouse	Western Cape Department of Health	667,112	-
AH Enterprise (Rates Tender)	Father	Department of Health	44,281	-
Piston Power Chemicals (Rates Tender)	Spouse	Department of Education	100,050	124,475
Amandla GCF Construction	Brother in Law	National Government Employment & Labour	1,950,622	-
Amandla GCF Construction	Sister	National Government Deeds Office	-	-
Amandla GCF Construction	Brother	Department of Education	-	-
Amandla GCF Construction	Sister	Western Cape Department of Education	-	-
Amandla GCF Construction	Brother	Western Cape City of Cape Town Traffic	-	-
JP Smit	Employee	Department of Police	60,000	-
Mariswe (Pty) Ltd (Rates tender)	Spouse	Development Bank of Southern Africa	-	-
Mariswe (Pty) Ltd (Rates tender)	Spouse	Department of Education	-	-
Mariswe (Pty) Ltd (Rates tender)	Sister	Western Cape Gov Provincial Treasury	-	-
Mariswe (Pty) Ltd (Rates tender)	Spouse	Department of Health	-	-

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Notes to the Audited Annual Financial Statements

			2021	2020
47. Related parties (continued)				
Mariswe (Pty) Ltd (Rates tender)	Spouse	Department of Rural Development	-	-
GIBB (Pty) Ltd	Brother	Department of Rural Development and Land Reform	136,620	-
GIBB (Pty) Ltd	Sister	Eastern Cape Dept of Human Settlements	-	-
GIBB (Pty) Ltd	Spouse	Department of Transport and Public Works	-	-
GIBB (Pty) Ltd	Sister in law	City of Cape Town	-	-
GIBB (Pty) Ltd	Brother in law	City of Cape Town	-	-
GIBB (Pty) Ltd	Mother	Department of Education	-	-
GIBB (Pty) Ltd	Brother	Dept of Asset Management	-	-
GIBB (Pty) Ltd	Spouse	Eastern Cape Dept of Education	-	-
GIBB (Pty) Ltd	Spouse	City of Cape Town	-	-
GIBB (Pty) Ltd	Aunt	SAPS	-	-
GIBB (Pty) Ltd	Spouse	Ethekweni Municipality	-	-
GIBB (Pty) Ltd	Husband	SAPS	-	-
GIBB (Pty) Ltd	Spouse	Department of Education	-	-
GIBB (Pty) Ltd	Spouse	Eastern Cape Dept of Transport	-	-
GIBB (Pty) Ltd	Spouse	Ndlambe Municipality	-	-
GIBB (Pty) Ltd	Aunt	Ethekweni Municipality	-	-
GIBB (Pty) Ltd	Spouse	National Dept of Water Affairs and Forestry	-	-
GIBB (Pty) Ltd	Mother	Department of Education	-	-
GIBB (Pty) Ltd	Brother	Economic Development	-	-
GIBB (Pty) Ltd	Brother	Sports and Recreation	-	-
GIBB (Pty) Ltd	Sister	Eskom Rotek Industries	-	-
GIBB (Pty) Ltd	Brother in law	Department of Minerals Resources	-	-
GIBB (Pty) Ltd	Sister in law	Eskom Generation	-	-



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			2021	2020
47. Related parties (continued)				
GIBB (Pty) Ltd	Spouse	Department of Transport and Public Works	-	-
GIBB (Pty) Ltd	Spouse	Department of Higher Education and Training	-	-
GIBB (Pty) Ltd	Spouse	Department of National Treasury	-	-
GIBB (Pty) Ltd	Parent	Department of Water Affairs and Forestry	-	-
GIBB (Pty) Ltd	Spouse	ESKOM	-	-
GIBB (Pty) Ltd	Cousin	Ethekweni Municipality	-	-
GIBB (Pty) Ltd	Spouse	KwaDukuza Municipality	-	-
GIBB (Pty) Ltd	Spouse	Gauteng Dept of Education	-	-
GIBB (Pty) Ltd	Spouse	Western Cape Dept of Education	-	-
GIBB (Pty) Ltd	Brother	Department of Justice Gauteng	-	-
GIBB (Pty) Ltd	Sister	Dept of Higher Education and Training	-	-
GIBB (Pty) Ltd	Brother	City Engineers	-	-
Tusk Construction Support Services (Pty) Ltd		Steve Tshwete Local Municipality	-	-
Red Ant Security Relocation and Eviction Services	Spouse	Mogale City Local Municipality	1,078,010	5,808,089
Nkqubela Community Developers	Spouse	Eastern Cape Provincial Planning and Treasury	-	-
NCC Environmental Services (Pty) Ltd	Spouse	City of Cape Town	21,994	51,750
Africoast Consulting Engineers (as and when required)	Spouse	Department of Public Works	-	-
Resonance Institute of Learning (as and when required)	Father	Eastern Cape Department of Health	-	-
Resonance Institute of Learning (as and when required)	Brother in law	Eastern Cape Department of Health	-	-
Resonance Institute of Learning (as and when required)	Sister in law	Department of transport	-	-
Resonance Institute of Learning (as and when required)	Brother in law	South African Maritime Safety Authority	-	-
Resonance Institute of Learning (as and when required)	Sister	Msunduzi Municipality	-	-



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			2021	2020
47. Related parties (continued)				
Resonance Institute of Learning (as and when required)	Sister	Ethekweni Municipality	-	-
Resonance Institute of Learning (as and when required)	Brother in law	Transnet	-	-
Resonance Institute of Learning (as and when required)	Brother in law	SAPS	-	-
Resonance Institute of Learning (as and when required)	Father	Gauteng Dept of Education	-	-
Resonance Institute of Learning (as and when required)	Sister	PRASA Dept of Transport	-	-
Resonance Institute of Learning (as and when required)	Brother in law	South African Maritime Safety Authority	-	-
Resonance Institute of Learning (as and when required)	Sister in law	Msunduzi Municipality	-	-
Resonance Institute of Learning (as and when required)	Sister in law	Ethekweni Municipality	-	-
Resonance Institute of Learning (as and when required)	Brother in law	Transnet	-	-
Resonance Institute of Learning (as and when required)	Brother in law	SAPS	-	-
Resonance Institute of Learning (as and when required)	Brother	South African National Defence Force	-	-
Resonance Institute of Learning (as and when required)	Employee	University of Johannesburg	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Special Investigating Unit Parliament and President City of Cape Town Transport Department	3,329,963	-
Zutari (Pty) Ltd (as and when required)	Parent	Oudtshoorn Municipality	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Western Cape Transport and Public Works	-	-
Zutari (Pty) Ltd (as and when required)	Father in law	Eskom	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Nelson Mandela Bay Metropolitan University	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Cape Nature	-	-
Zutari (Pty) Ltd (as and when required)	Parent	West Coast District Municipality Roads	-	-
Zutari (Pty) Ltd (as and when required)	Sibling	City of Cape Town	-	-
Zutari (Pty) Ltd (as and when required)	Child	Umgeni Water	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Northern Cape Dept of Cooperative Governance	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Stellenbosch Municipality	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	SARS	-	-



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			2021	2020
47. Related parties (continued)				
Zutari (Pty) Ltd (as and when required)	Spouse	Departmental of Correctional Services	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Eastern Cape Department of Education	-	-
Zutari (Pty) Ltd (as and when required)	Parent	Cape Winelands District Municipality	-	-
Zutari (Pty) Ltd (as and when required)	Spouse	Development Bank of Southern Africa	-	-
Poongavanum General Cleaning Services cc	Child	Petro SA	3,184,567	-
			37,817,622	20,994,549



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48. Changes in accounting policy

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- 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 110 (as amended 2016): Living and Non-living Resources
- GRAP 18 (as amended 2016): Segment Reporting

GRAP 34: Separate Financial Statements

This standard has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the standard becoming effective.

GRAP 35: Consolidated Financial Statements

This standard has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the standard becoming effective.

GRAP 36: Investments in Associates and Joint Ventures

This standard has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the standard becoming effective.

GRAP 37: Joint Arrangements

This standard has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the standard becoming effective.

GRAP 38: Disclosure of Interests in Other Entities

This standard has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the standard becoming effective.

GRAP 110 (as amended 2016): Living and Non-living Resources

This standard has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the standard becoming effective.

GRAP 18 (as amended 2016): Segment Reporting

During the year, the municipality adopted its accounting policy with respect to the treatment of GRAP 18: Segment reporting. The standard does not significantly impact measurement of these segments, but resulted in additional disclosures as per Note 62.

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Notes to the Audited Annual Financial Statements

	2021	2020
49. Prior period adjustments		
STATEMENT OF FINANCIAL POSITION	2020 previously reported	Reclassifications Adjustments of errors 2020 restated
Assets		
Current Assets		
Inventories	8,132,442	-
Receivables from exchange transactions (note 49.6)	62,545,043	(1,501,950)
Construction contracts and receivables	20,080,154	-
Receivables from non-exchange transactions (note 49.7)	76,855,054	1,704,186
Unpaid grants and receipts	14,212,889	-
VAT receivable (note 49.11)	20,963,690	244,617
Prepayments	745,909	-
Cash and cash equivalents	79,293,624	-
	282,828,805	446,853
		283,275,658
Non-current Assets		
Property, plant and equipment (note 49.2)	1,240,538,391	(3,286,357)
Investment property (note 49.1)	68,819,577	1,146,362
Intangible assets	117,270	-
Heritage assets	17,435,046	-
Long term investments and receivables	10,814,218	-
Operating lease asset	2,187,570	-
	1,339,912,072	(2,139,995)
		1,337,772,077
Total Assets	1,622,740,877	(1,693,142)
		1,621,047,735
Liabilities		
Current Liabilities		
Long-term liabilities	28,226,605	-
Finance lease obligation	4,301,927	-
Payables from exchange transactions (note 49.3)	139,768,126	1,843,335
Consumer deposits	13,163,571	-
Employee benefit obligation	37,890,419	-
Provisions	6,040,000	-
Unspent grants and receipts	8,839,801	-
	238,230,449	1,843,335
		240,073,784
Non-Current Liabilities		
Long-term liabilities	216,054,162	-
Finance lease obligation	6,585,517	-
Employee benefit obligation	95,018,681	(555)
Provisions	10,824,028	-
	328,482,388	(555)
		328,481,833
Total Liabilities	566,712,837	1,842,780
		568,555,617
Total Net Assets	1,056,028,040	(3,535,922)
		1,052,492,118
STATEMENT OF FINANCIAL POSITION (CONTINUED)	2020 previously reported	Reclassifications Adjustments of errors 2020 restated
Net Assets		
Capital Replacement Reserve (note 49.8)	45,500,000	(45,500,000)
Accumulated surplus (note 49.9)	1,010,528,040	41,964,079
	1,056,028,040	(3,535,921)
		1,052,492,119

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49. Prior period adjustments (continued) STATEMENT OF FINANCIAL PERFORMANCE

	2020 previously reported	Reclassifi- cations	Adjustments of errors	2020 restated
Revenue from exchange transactions	408,037,329	-	327,979	409,552,199
Service charges	373,989,167	-	-	373,989,167
Rental of facilities and equipment	5,820,314	-	(9,866)	5,810,448
Interest received - outstanding debtors	9,658,131	-	-	9,658,131
Interest received - external investments	4,687,497	-	-	4,687,497
Agency services	3,064,946	-	-	3,064,946
Licences and permits	1,194,339	-	-	1,194,339
Third party payments (Insurance claims)	664,186	-	-	664,186
Operational revenue	3,511,680	-	-	3,511,680
Sales of goods and rendering of services	3,946,651	-	-	3,946,651
Gains on disposal of assets (49.1)	313,527	-	337,845	651,372
Inventories surplus	1,186,891	-	-	1,186,891
Actuarial Gains	14,732,290	(14,732,290)	-	-
Revenue from non-exchange transactions	535,019,306	-	7,919,759	542,939,065
Property rates	211,839,034	-	1,608,809	213,447,843
Construction revenue (note 48)	62,913,747	-	-	62,913,747
Government grants and subsidies (note 48)	165,983,061	-	-	165,983,061
Public contributions and donations	131,328	-	-	131,328
Fines, penalties and forfeits (note 49.7)	94,152,136	-	6,310,950	100,463,086
	943,056,635	-	8,247,738	952,491,264
Expenditure				
Employee related cost (note 49.5)	263,423,300	(5,171,084)	(11,696)	258,240,520
Remuneration of councillors	8,108,340	-	-	8,108,340
Depreciation and amortisation (note 49.2)	35,062,755	-	-	35,062,755
Impairment of assets	(962,294)	-	4,932	(957,362)
Debt impairment (note 49.7)	74,942,152	-	5,408,925	80,351,077
Finance cost	29,451,665	(9,561,206)	9,914	19,900,373
Lease rental on operating lease	10,716,473	-	(2,242)	10,714,231
Bulk purchases	188,257,343	-	-	188,257,343
Contracted services (note 49.4)	188,538,530	-	(16,301)	188,522,229
Transfers and subsidies	2,411,972	-	-	2,411,972
Bad debt written off	47,531,752	-	(30,080)	47,501,672
Operational costs (note 49.10)	37,292,717	-	2,023,940	39,316,657
Inventory consumed	40,617,434	-	-	40,617,434
	925,392,139	(14,732,290)	7,387,392	918,047,241
Surplus / (Deficit) for the year	17,664,496	14,732,290	860,346	33,257,132

CASH FLOW STATEMENT

	2020 previously reported	Reclassifi- cations	Adjustments of errors	2020 restated
Net cash from operating activities	72,600,108	-	(1,441,494)	71,158,614
Net cash from investing activities	(109,003,212)	-	1,441,494	(107,561,718)
Net cash from financing activities	43,987,699	-	-	43,987,699
Total cash movement for the year	7,584,595	-	-	7,584,595
Cash and cash equivalents at the beginning of the year	71,709,029	-	-	71,709,029
	79,293,624	-	-	79,293,624

Certain comparative figures have been reclassified to better align with the reporting structure of the municipality. These reclassifications do not have any effect on the accumulated surplus.



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49. Prior period adjustments (continued)

49.1 Corrections to Investment property

The following retrospective restatements were made to Investment Property:

- Disposal of incorrect erven (4949 instead of 4399) in the prior year.
- Reverse disposal: Erf 2627 : Cancellation of agreement. Carrying amount of the erf was R814 330.

49.2 Corrections to Property, plant and equipment

The following retrospective restatements were made to Property, plant and equipment:

- Reversal of penalties incorrectly allocated to a project during the 2019 financial year amounting to R151 446.
- Transfer top structure out of capital, which was part of work in progress in the prior year amounting to R 2 947 042.
- Operating expenditure incorrectly recognised as capital expenditure in the prior years amounting to R 818 931.
- Correction of operating expenses moved to capital and housing top structured moved to operating amounting to R 1 628 267 and R 655 016.
- Incorrect classification of operating expenses instead of capital expenditure amounting to R 11 046
- Depreciation incorrectly not recognised amounting to R 54 595

49.3 Corrections to Payables from exchange transactions

The following retrospective restatements were made to Payables from exchange transactions:

- Invoices amounting to R 100 248 not recognised in the previous financial years.
- Incorrect classification of rejected payment to employee - R 9 759
- COIDA invoice not captured in the previous financial year - R 1 769 625
- Reversal of debt write-off was more than the write-off - R 33 740
- Incorrect accruals relating to car hire in the previous financial years - R2 242



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49. Prior period adjustments (continued)

49.4 Corrections Contracted Services

The following retrospective restatements were made to Provisions:

- Insurance broker fees amounting to R16 301 has been incorrectly classified as Contracted services instead of operating cost.

49.5 Corrections to Employee related cost

The following retrospective restatements were made to Employee related cost:

- Incorrect payments made to medical aid that has been forfeited amounting to R13 646 (R11 696 prior year and R1,949 earlier)

49.6 Corrections to Receivables from exchange transactions

The following retrospective restatements were made to unspent public contributions and receipts:

- Revenue relating to rental levies incorrectly recognised on a building that was sold in the previous financial years amounting to R12 277.
- Incorrect payments made to medical aid that has been forfeited amounting to R13 647.
- Incorrect reversal of debt write -off of a customer - R 10 139.
- Revenue adjustments accounted for in the incorrect period.

49.7 Corrections to Receivables from non - exchange transactions

- Revenue adjustments accounted for in the incorrect period amounting to R632 121

Revenue generated from fines incorrectly not recognised in the prior years amounting to R 1 072 065

49.8 Capital Replacement reserve

- The Capital Replacement Reserve of R 45.5 million disclosed in the Statement of Financial Position and the Statement of Changes in Net Assets in the 2019/2020 Annual Financial Statements was cancelled and transferred to the Accumulated Surplus. The reason for the cancellation was that the Capital Replacement Reserve was backed by cash.

The effect of these prior period error corrections per line item are as follows:

Investment Property

Balance previously reported	68,819,577
Disposal of incorrect erven	332,032
Reverse disposal: Erf 2627 : Cancellation of agreement	814,330
Restated balance as at 30 June 2020	69,965,939



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49. Prior period adjustments (continued)

Property, plant and equipment

Balance previously reported	1,240,538,391
Penalties incorrectly allocated to a project	(151,446)
Transfer top structure out of capital, which was part of work in progress in the prior year.	(2,947,042)
Operating expenditure incorrectly recognised as capital expenditure in the prior years.	(1,628,267)
Operating expenditure incorrectly recognised as capital expenditure in the prior years.	818,931
Incorrect classification of operating expenses instead of capital expenditure	11,046
Capital expenditure incorrectly recognised as operating expenditure in the prior years.	665,016
Depreciation incorrectly not recognised	(54,595)
Restated balance as at 30 June 2020	1,237,252,034

Receivables from exchange transactions

Balance previously reported	62,545,043
Rental levies incorrectly recognised (49.6.1)	(12,277)
Incorrect payments made to medical aid that has been forfeited (49.5.1 & 49.6.2)	13,647
Incorrect reversal of debt write -off of a customer (49.6.3)	(10,139)
Revenue adjustments accounted for in the incorrect period (49.6.4)	391,589
Revenue adjustments accounted for in the incorrect period (49.6.4)	(1,884,770)
Restated balance as at 30 June 2020	61,043,093

Accumulated surplus / (Deficit) opening balance 49.9

Balance previously reported 1 July 2019	978,131,254
Operating invoices not captured in the previous financial years.	(90,334)
Rental levies incorrectly recognised in previous financial years	(10,897)
Incorrect payments made to medical aid that has been forfeited	1,949
Incorrect reversal of debt write -off of a customer	(8,974)
Revenue adjustments accounted for in the incorrect period	1,261,724
Revenue generated from fines incorrectly not recognised in the prior years	170,040
Penalties incorrectly allocated to a project	(151,446)
Operating expenditure incorrectly recognised as capital expenditure in the prior years.	(2,947,042)
Operating expenditure incorrectly recognised as capital expenditure in the prior years.	(1,628,267)
Reverse disposal: Erf 2627 : Cancellation of agreement	(5,670)
Revenue adjustments accounted for in the incorrect period	(1,608,808)
Operating expenditure incorrectly recognised as capital expenditure in the prior years.	665,016
Incorrect classification of operating expenses instead of capital expenditure	11,046
Depreciation incorrectly not recognised	(54,595)
Transfer of the Capital Replacement reserve to accumulated surpluses	45,500,000
Other (Rounding)	(8)
Restated balance as at 1 July 2019	1,019,234,988

Debt impairment

Balance previously reported	74,942,152
Revenue generated from fines incorrectly not recognised in the prior years	5,408,925
Restated balance as at 30 June 2020	80,351,077

Payables from exchange transactions - Other payables

Balance previously reported	139,768,126
Operating invoices not captured in the previous financial years.	100,248
Incorrect payments made to medical aid that has been forfeited	565
COIDA invoice not captured in the previous financial year	1,769,625
Reversal of debt write-off was more than the write-off	(33,740)
Incorrect accruals relating to car hire in the previous financial years	(2,242)
Incorrect classification of rejected payment to employee	9,759



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	2021	2020
49. Prior period adjustments (continued)		
Other		(880)
Restated balance as at 30 June 2020		141,611,461
Operational costs 49.10		
Balance previously reported		37,292,717
Insurance cost incorrectly classified		16,301
COIDA invoice not captured in the previous financial year		1,769,625
Revenue adjustments accounted for in the incorrect period		238,014
Restated balance as at 30 June 2020		39,316,657
Capital Replacement Reserve		
Balance previously reported.		45,500,000
Transfer of the Capital Replacement reserve to accumulated surpluses		(45,500,000)
Restated balance as at 30 June 2020		-
Contracted services		
Balance previously reported		188,538,530
Insurance cost incorrectly classified		(16,301)
Restated balance as at 30 June 2020		188,522,229
Profit on disposal of assets		
Balance previously reported		313,527
Disposal of incorrect erven		332,913
Other		4,932
Restated balance as at 30 June 2020		651,372
Employee related cost		
Balance previously reported		263,423,300
Incorrect payments made to medical aid that has been forfeited		(11,696)
Restated balance as at 30 June 2020		263,411,604
Property rates		
Balance previously reported		211,839,034
Revenue adjustments accounted for in the incorrect period		1,608,809
Restated balance as at 30 June 2020		213,447,843
Receivables from non-exchange transactions		
Balance previously reported		76,855,054
Revenue adjustments accounted for in the incorrect period (49.7.1)		632,121
Revenue generated from fines incorrectly not recognised in the prior years (49.7.2)		1,072,065
Restated balance as at 30 June 2020		78,559,240
Finance cost		
Balance previously reported after reclassifications		29,451,665
Finance cost relating to operating invoices not captured in the previous financial years.		9,914
Restated balance as at 30 June 2020		29,461,579
Fines, penalties and forfeits		
Balance previously reported		94,152,136
Revenue generated from fines incorrectly not recognised in the prior years		6,310,950
Restated balance as at 30 June 2020		100,463,086



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	2021	2020
49. Prior period adjustments (continued)		
VAT receivable 49.11		
Balance previously reported		20,963,690
Incorrect classification of rejected payment to employee		1,273
Reversal of debt write-off was more than the write-off		(3,660)
Incorrect reversal of debt write -off of a customer		1,164
Correction of addition of capital asset - VAT effect		122,840
Reverse disposal: Erf 2627 : Cancellation of agreement		123,000
Restated balance as at 30 June 2020		21,208,307
Rental of Facilities and equipment		
Balance previously reported		5,820,314
Rental levies incorrectly recognised		(1,380)
Incorrect classification of rejected payment to employee		(8,486)
Restated balance as at 30 June 2020		5,810,448



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50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances only due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities:				
Annuity loans and local registered stock	55,717,113	53,857,663	145,447,372	137,756,229
Consumer Deposits	13,509,280	-	-	-
Trade and other payables	118,923,621	-	-	-
Finance lease obligation	4,733,752	2,366,875	-	-
At 30 June 2020				
Long term liabilities:				
Annuity loans and local registered stock	50,874,910	46,820,585	125,557,706	133,611,270
Consumer Deposits	13,163,571	-	-	-
Trade and other payables	122,764,761	-	-	-
Finance lease obligation	5,157,415	4,733,751	2,366,875	-

Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only reputable independently rated parties are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.



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50. Risk management (continued)

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 6 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

The entity only deposits cash with major banks with high quality credit standing. An amount of R 4,906,783 of the R 14,789,249 call investment deposits of the cash and cash equivalents were pledged as security for financial liabilities towards the DBSA as guarantees on external loans taken up from the DBSA – see notes 10 and 17. No restrictions were placed on the use of the remaining portion of the cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

An amount of R 4,108,488 of the R 4,108,488 long-term investments and receivables were pledged as security for financial liabilities towards the DBSA as guarantees on external loans taken up from the DBSA – see notes 11 and 17.

Other Financial Assets and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial instrument	2021	2020
Receivables from exchange transactions	66,197,937	62,545,043
Cash and cash equivalents	42,330,361	79,293,624
Long-term investments and receivables	4,110,902	10,814,218
Construction contracts and receivables	41,497,572	20,080,154
	<u>154,136,772</u>	<u>172,733,039</u>

Market risk

Interest rate risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus for the year due to changes in interest rates are as follows:

1% (2020: 1%) Increase in interest rates	(2,454,587)	(1,650,672)
1% (2020: 1%) Decrease in interest rates	2,454,587	1,650,672



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	2021	2020
51. Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	6,294,035	-
Unauthorised expenditure current year	9,922,302	6,294,035
Unauthorised expenditure awaiting authorisation	16,216,337	6,294,035

The unauthorised expenditure relates to over expenditure of approved budgets per vote in total.

Budget Comparison by Municipal Vote in total	2021 (Actual)	2021 (Budget)	2021 (Variance)	2021 (Unauthorised)
Community services	280,992,133	275,802,069	5,190,064	5,190,064
Corporate services	52,457,732	57,690,874	(5,233,142)	-
Electrical services	283,899,807	284,594,038	(694,231)	-
Executive and Council	41,587,168	36,854,930	4,732,238	4,732,238
Financial services	53,245,186	54,458,894	(1,213,708)	-
Planning and development	25,584,218	26,276,926	(692,708)	-
Technical services	279,391,578	297,746,062	(18,354,484)	-
Housing services	74,414,109	85,086,233	(10,672,124)	-
	1,091,571,931	1,118,510,026	(26,938,095)	9,922,302

Budget Comparison by Municipal Vote - Operating Expenditure	2021 (Actual)	2021 (Budget)	2021 (Variance)	2021 (Unauthorised)
Community services	265,553,395	252,579,184	12,974,211	12,959,125
Corporate services	51,850,624	56,783,514	(4,932,890)	-
Electrical services	260,430,248	260,789,038	(358,790)	-
Executive and Council	41,587,168	36,854,930	4,732,238	4,733,000
Financial services	53,240,528	54,451,894	(1,211,366)	-
Planning and development	25,466,601	25,816,777	(350,176)	-
Technical services	185,211,882	187,090,505	(1,878,623)	-
Housing services	69,671,880	79,985,233	(10,313,353)	-
	953,012,326	954,351,075	(1,338,749)	17,692,125

Budget Comparison by Municipal Vote - Capital Expenditure	2021 (Actual)	2021 (Budget)	2021 (Variance)	2021 (Unauthorised)
Community services	15,438,738	23,222,885	(7,784,147)	-
Corporate services	607,108	907,360	(300,252)	-
Electrical services	23,469,559	23,805,000	(335,441)	-
Financial services	4,658	7,000	(2,342)	-
Planning and development	117,617	460,149	(342,532)	-
Technical services	94,179,696	110,655,557	(16,475,861)	-
Housing Services	4,742,229	5,101,000	(358,771)	-
	138,559,605	164,158,951	(25,599,346)	-

The Executive and Council vote unauthorised expenditure is due to post employee medical aid benefits, actuarial losses of R 4.8 million.

The Community Services vote unauthorised expenditure is due traffic fines bad debt impairment exceeding the budgeted amount with R10.6 million and the impairment of assets with an amount R1.8 million.

All of the above unauthorised expenditure has to do with non-cash transactions.

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	2021	2020
52. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	87,818	53,217
Fruitless and wasteful expenditure - current year	32,340	34,601
Amount recovered - long service awards	(927)	-
Fruitless and wasteful expenditure awaiting investigation	119,231	87,818

A full investigation was conducted by MPAC. After having considered the report on the investigation, MPAC resolved and made recommendation to council. Council resolved on the matters of fruitless and wasteful expenditure. The accounting officer was instructed to ensure consequence management.

	2021	2020
Details of current year fruitless and wasteful expenditure		
Interest paid on outstanding account - On The Estuary	32,340	-
Long Service Award incorrectly paid to a non-qualifying employee	-	4,637
Infrastructure services year-end function - December 2019	-	29,964
	32,340	34,601

53. Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	56,855,257	119,360,480
Irregular expenditure written off by council	(63,877,213)	(151,049,196)
Irregular Expenditure - current year	67,700,043	88,543,973
	60,678,087	56,855,257

Details of irregular expenditure – current year

	2021	2020
Deviation not justified	291,072	515,170
Non-compliance with Upper Limit Notice (Exceeding Upper Limit Thresholds)	295,552	339,400
Non-compliance with Upper Limit Notice (Scarcity Allowance)	-	863,090
Non-compliance with the Municipal Cost Containment Regulations	-	29,264
T51/2017/2018 (Variation orders not approved before execution)	-	701,917
Irregular appointment of Director: Integrated Human Settlements without Council approval	765,432	1,242,493
T04/18/19 (Tender not awarded to the bidder who scored the highest points)	-	8,158,389
Preferred bidder as per BAC minutes not appointed	19,726	-
Local content % not recalculated (imported content not exempted by DTI)	161,387	-
Preference points system for evaluation of loan finance not included in tender documents	5,038,999	-
Non-compliance with SCM Regulation 32 - "Piggy-back" contracts	14,549,033	33,301,613
Non-compliance with SCM regulation 29(2) - BAC composition	46,578,842	43,392,637
	67,700,043	88,543,973

Details of additional irregular expenditure as a result of AGSA interpretation

Contracts used from other organs of state in terms of SCM Regulation 32 was classified as irregular expenditure during the audit process by AGSA. In MFMA Circular 96 dated 24 July 2019 the National Treasury made the ruling that a municipality may only piggy-back on the unused portion of the contract awarded by the organs of state. Therefore, actual expenditure incurred by the municipality based on the piggy-back awards will continue to be recognised as irregular expenditure until the contract/s period/s have expired.

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53. Irregular expenditure (continued)

SCM Regulation 29(2) requires that a Bid Adjudication Committee (BAC) must consist of at least four senior managers which must include a senior supply chain management practitioner. However, the Auditor-General's interpretation of Regulation 29(2) is that a BAC must consist of four senior managers (directors) plus a senior supply chain management practitioner. Therefore, all awards made by the BAC with four senior managers that included the senior supply chain management practitioner, was deemed to be irregular expenditure.



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	2021	2020
54. Material losses		
Electricity distribution losses		
Units purchased (Mwh)	171,456	172,495
Units Sold (Mwh)	152,028	156,827
Units lost during distribution (Mwh)	19,428	15,668
Percentage lost during distribution	11.33 %	9.08 %
Water distribution losses		
Mega litres purified	4,160	4,057
Mega litres lost during distribution	1,851	807
Percentage lost during distribution	44.50 %	19.89 %
There is no possibility of recovering any of the material losses.		
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government MFMA 125 (1) - SALGA contributions		
Opening balance	273,627	273,627
Current year subscription / fee	3,031,660	2,755,162
Amount paid - current year	(3,031,660)	(2,755,162)
	273,627	273,627
Audit fees - MFMA 125 (1)		
Current year subscription / fee	4,975,034	5,273,822
Amount paid - current year	(4,975,034)	(5,273,822)
	-	-
PAYE and UIF - MFMA 125 (1)		
Opening balance	3,059,864	36,884
Current year subscription / fee	38,059,473	36,603,462
Amount paid - current year	(38,024,347)	(33,580,482)
	3,094,990	3,059,864
SDL – MFMA 125(1)		
Current year subscription / fee	1,907,430	1,851,645
Amount paid - current year	(1,719,707)	(1,851,645)
	187,723	-
Pension and Medical Aid Deductions - MFMA 125 (1)		
Current year subscription / fee	64,611,400	59,497,227
Amount paid - current year	(64,611,400)	(59,497,227)
	-	-



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

VAT - MFMA 125 (1)

Opening balance	4,560,210	7,087,947
Amount received - prior year	(3,737,906)	(6,954,402)
Amount received - current year	(69,564,700)	(78,758,729)
Amount claimed - current year	75,536,116	83,185,394
	6,793,720	4,560,210

VAT output payables and VAT input receivables are shown in note 8.

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

Councillors' arrear consumer accounts - MFMA 124 (1)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding more than 90 days	Total
Opperman LV (resigned 1 February 2021)	4,570	4,570
Ngqezu S	415	415
Matika T	1,023	1,023
	6,008	6,008

30 June 2020	Outstanding more than 90 days	Total
Pofadder D (Resigned 15 October 2019)	3,673	3,673
Weideman A	9	9
	3,682	3,682

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

30 June 2021	Highest outstanding amount	Aging (in days)
Opperman LV	4,512	>150 days
Ngqezu S	410	> 150 days
Matika T	1,010	> 150 days
	5,932	

30 June 2020	Highest outstanding amount	Aging (in days)
Pofadder D	3,304	>150 days



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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

Emergency - par 36 (1)(a) i	-	196,603
Single source or sole provider - par 36 (1)(a) ii	214,722	145,984
Impractical/impossible (exceptional cases) - par 36 (1)(a) v	13,421,040	7,048,171
	13,635,762	7,390,758

56. Private Public Partnerships

Council has not entered into any private public partnerships during the financial year.

57. Events after the reporting date

The national state of disaster has been extended until 15 September 2021. Refer to note 63 whereby the financial impact of the COVID - 19 pandemic on the Municipality is disclosed.

Scarce Skills Allowances

At a special council meeting (SC03/02/2020) in February 2020, it has been unanimously resolved that all Scarce Skills Allowances paid to the Municipal Manager and the Managers directly accountable to the Municipal Manager in terms of the Scarce Skills Policy be recovered and that the MEC : Local Government be advised that Council do not oppose the court application (C 2667/2020) and will abide by the decision of the court.

The high court ruled on 13 August 2021 that the scarce skills allowances be recovered from the applicable employees. The municipality was notified of the court order on 29 September 2021. The court order was executed in December 2021. This amounts to R 1,692,808 recovered.

58. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 1,103,030,121 and that the municipality's total assets exceed its total liabilities by R 1,103,030,121.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic; management considered a wide range of factors including the current and expected performance of the Municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding. Further to that the Municipality has put in place cost containment measures to curb unnecessary spending.

The Municipality has not defaulted on payment of creditors. The Municipality do have the ability to operate as a going concern and to continue rendering services to its community.



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59. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance:

None of the items in the Statement of Financial Performance is above 10% or more than R1 million. No explanation needed.

Statement of Financial Position:

59.1 Cash

The inability of the ratepayers and consumers to service their municipal accounts at required 95% collection rate (payment rate was 89.7%); the additional repayment of external borrowings above the budgeted amount; and, the payment of trade creditors at year end resulted in less than the expected budgeted cash at year end.

59.2 Call investment deposit

The municipality did not budget for call investment deposit at year end and therefore the actual investments of R14,7 million at year end resulted in a material difference between the budget and actual amounts. Call investments were included in the budgeted cash amount.

59.3 Consumer debtors

The substantial increase in bad debt provision for electricity, water, sewerage, refuse, housing rentals and sundry debtors as well as the unpaid housing grants from the Department of Human Settlements are the main contributing factors for the material difference between the budget and actual amounts. The unpaid housing grants of R41.4 million were disclosed under current portion of long term receivables in terms of GRAP11.

59.4 Other debtors

Traffic fine debtors and bad debt provision for traffic fines is the main contributing factor for the material difference between the budget and actual amounts.

59.5 Current portion of Long Term Receivables

The municipality did not budget for construction contracts and receivables in terms of GRAP11

59.6 Inventory

The municipality carried more materials in stock that was anticipated at the beginning of the financial year. (See note 3).

59.7 Investment

The municipality did not budget for investments at year end and therefore the actual investments of R4,1 million at year end resulted in a material difference between the budget and actual amounts. Investments were included in the budgeted cash amount.

59.8 Borrowings (Current)

Due to the straightline payment method more borrowings were redeemed than budgeted for.

59.9 Provisions (Current)

The current portion for the provision for Landfill sites rehabilitation is substantially less than budgeted for.



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59. Budget differences (continued)

59.10 Borrowing (Non current)

External loans taken up during 2019/2020 to fund capital expenditure that was not spent at the end of June 2020 had to be budgeted for external loans in 2020/2021 to finance roll-over capital expenditure.

59.11 Provisions (Current)

The non-current portion for the provision for Landfill sites rehabilitation as well as post retirement medical aid benefits liability are substantially more than budgeted for.

59.12 Capital replacement reserve

The capital replacement reserve of R45.5 million was not cash backed and the amount was transferred to the accumulated surplus at year end. The transfer was not budgeted for.

Cash Flow Statement

59.13 Decrease/(increase) in non-current investments

The municipality did not budget for a decrease/(Increase) in non current investments

59.14 Capital assets

The Municipality did not spend all its capital expenditure at year end.

59.15 External borrowings

External loans taken up during 2019/2020 to fund capital expenditure that was not spent at the end of June 2020 had to be budgeted for external loans in 2020/2021 to finance roll-over capital expenditure. Although budgeted for the roll-over capital expenditure, the external loan was already taken up in the previous financial year.

59.16 Repayment of borrowings

Due to the straightline payment method more borrowings were redeemed than budgeted for.

59.17 Net increase/(decrease) in cash held

The inability of the ratepayers and consumers to service their municipal accounts at required 95% collection rate (payment rate was 89.7%); the additional repayment of external borrowings above the budgeted amount; and, the payment of trade creditors at year end resulted in less than the expected budgeted cash at year end.



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59. Budget differences (continued)

Differences between budget and actual amounts basis of preparation and presentation

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

Statement of Financial Position

Consumer debtors in budget statements consist of service charges (water, sewerage, electricity, refuse and housing rentals)

Other debtors in the budgeted statements consist of other debtors as disclosed in receivables from exchange transactions, receivables from non-exchange transactions, VAT receivable, prepayments and unpaid conditional grants.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, afore mentioned are all incorporated under other debtors.

Long Term Receivables in budget statements also includes the Non-Current Operating Lease Asset.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts and VAT payable (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements as provisions.

Long term liabilities, Finance lease obligation and Operating lease liabilities are disclosed separately in the financial statements. The budget formats does not provide for Finance and Operating lease liabilities. Finance and Operating lease liabilities are disclosed as part of Borrowings in the budget statements.

Other non-current assets included the Heritage assets in the budget statement but is separately disclosed in the financial statements..

All other items are disclosed on a comparable basis.



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59. Budget differences (continued)

Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other own revenue in the budget statement. Other own revenue per budget statement consist out of the following line items: Public Contributions and donations, Third Party Payments, Sale of goods and rendering of services, rental of facilities and equipment, Agency services, Licences and permits, Fines, penalties and forfeits, profit / loss on disposal of assets inventory adjustments and Operational revenue.

Transfers recognised - operational and construction revenue are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Employee related cost and actuarial gains and losses are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Depreciation and amortisation, Impairment losses and fair value adjustments on Investment property are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Debt impairment and bad debt written off are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Inventory consumed and bulk purchases as separately disclosed in the statement of financial performance is presented as materials and bulk purchases in the budgeted statements.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statements. Other Expenditure per budget statement consist of the following line items - Operational costs, Lease rentals on operating leases.

All other items are disclosed on a comparable basis.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis, except for the following item:

The movement in Consumer deposits are disclosed as part of the financing activities for budget purposes while it is disclosed as part of operating activities in the financial statements.

Changes from the approved budget to the final budget

Revenue

Total adjustments are mainly as a result of the following:

The total operating revenue increased by R7,7 million on transfers and subsidies, mainly due to a new Water Services Infrastructure Grant allocation by the National Treasury and an additional grant allocation by the Western Cape Provincial Department for Library Services.

Operating revenue decreased as a result of a reduction in the allocation by the Western Cape Provincial Department for their contribution towards the investigation into allegations against the Municipal Manager and the previous Chief Financial Officer.

Further adjustments occurred as a result of the VAT portion of the new Water Services Infrastructure Grant allocation by National Treasury and grant allocations to support the Knysna Incubator Programme and the new Karatara Sporting Facility (Netball Courts).

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2020

59. Budget differences (continued)

Expenditure

Total adjustments are mainly as a result of the following:

- Reduction of R200,000.00 for Contracted Services, as a result of a reduction of the contribution towards the investigation into allegations against the Municipal Manager and the previous Chief Financial Officer. An increase in operating expenditure necessitated as a result of the new grant allocation of R200,000.00 from Nedbank to support the Knysna Incubator Programme.

Capital budget

Total adjustments are mainly as a result of the following:

- The revised budget for capital expenditure increased by R 5,4 million and mainly as a result of the following: Community services' positive adjustment after a decrease of R417,652.00 in the Municipal Infrastructure Grant (MIG) expenditure, resulting in the reallocation of capital expenditure budgets for existing MIG funded projects.

Additional R40,000.00 funded by the Western Cape Provincial Department of Cultural Affairs for the Library Services infrastructure.

R600,000.00 for the new Karatara Sporting Facility (Netball Courts) funded by the Western Cape Provincial Department of Cultural Affairs.

A decrease of R152,435 in the MIG resulting in the reallocation of capital expenditure budgets for existing MIG funded projects.

A new allocation of R5,073,913 through the Water Services Infrastructure Grant allocation by National Treasury for investment in infrastructure.



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60. Accounting by principals and agents

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

Municipality as agent

Motor Vehicle Registrations Arrangement

As per Circular R12.1994 the executive committee of the provincial administration of the cape of good hope and the department of state expenditure grantor authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64 (4).

Revenue and expenses from principal-agent transactions:

2021

	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	4,092,803	19,619,168	23,711,971
Payment to provincial traffic department	(462,475)	(18,068,097)	(18,530,572)
Agency fee income	3,630,328	1,551,071	5,181,399
Depreciation	(1,301)	(1,008)	(2,309)
Employee cost	(1,782,682)	(1,391,276)	(3,173,958)
General expenses	(98,627)	(98,627)	(197,254)
	1,747,718	60,160	1,807,878

2020

	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	1,597,168	19,187,809	20,784,977
Payment to provincial traffic department	(402,829)	(16,122,845)	(16,525,674)
Agency fee income	1,194,339	3,064,964	4,259,303
Depreciation	(1,301)	(1,009)	(2,310)
Employee cost	(1,528,316)	(1,027,902)	(2,556,218)
General expenses	(45,359)	(45,359)	(90,718)
	(380,637)	1,990,694	1,610,057

Housing arrangements

The Department of Housing has the mandate to provide basic housing to all citizens. The Provincial Department of Housing has entered into arrangements with the municipality in order to provide housing to those in need. In terms of the Guideline: Accounting for Arrangements in respect of the National Housing Programme, each individual transaction and arrangement is carefully considered in order to ensure the correct accounting treatment. Some deliverables meet the requirements of Construction Contracts (as we are considered the principal in these deliverables) (note 4).

Fees received from the Provincial Department of Housing for registering the owner at the deeds office are considered to not be for the benefit of the municipality and is not directly accounted for as part of the construction contracts. To this extent, the municipality is regarded as the agent and expenses are accounted for on a net basis.

Receipts from Provincial Department
Payments made o.b.o. beneficiaries



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684,000 450,000
(684,000) (450,000)

- -

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60. Accounting by principals and agents (continued)

Municipality as the principal

Distribution of prepaid water and electricity

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity and water (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources.

The fees paid to Ontech Systems (Pty) Ltd during the year was R 10 228 195 (2020: R 10 946 289).

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

61. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

62. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Municipal governance and administration which includes executive and council and finance and administration services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.



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62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance and administration	Total
Revenue					
Investment revenue	7,961	-	9,801,538	3,884,420	13,693,919
Revenue from exchange transactions	3,351,808	8,460,445	403,125,013	9,349,017	424,286,283
Revenue from non-exchange transactions	176,281,082	1,666,882	115,405,441	272,769,070	566,122,475
Total segment revenue	179,640,851	10,127,327	528,331,992	286,002,507	1,004,102,677
Contribution recognised - donated assets					(1,169,063)
Transfers and subsidies - capital					(46,418,922)
Total revenue reconciling items					(47,587,985)
Entity's revenue					956,514,692
Expenditure					
Employee related costs	81,150,320	33,981,199	58,732,459	105,266,386	279,130,364
Remuneration of councillors	-	-	-	8,781,010	8,781,010
Debt impairment	98,383,575	-	44,839,949	(986,586)	142,236,938
Depreciation & asset impairment	4,106,013	5,047,699	28,025,180	2,813,769	39,992,661
Finance charges	2,877,022	848,251	19,042,737	386,260	23,154,270
Bulk purchases	-	-	199,242,027	-	199,242,027
Other materials	14,280,784	1,616,856	24,590,966	1,446,169	41,934,775
Contracted services	77,745,631	14,718,155	54,735,017	19,432,738	166,631,541
Other expenditure	2,081,975	2,252,769	14,077,513	34,047,954	52,460,211
Total segment expenditure	280,625,320	58,464,929	443,285,848	171,187,700	953,563,797
Total segmental surplus/(deficit)	(100,984,469)	(48,337,602)	85,046,144	114,814,807	50,538,880

Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance and administration	Total
62. Segment information (continued)					
Assets					
Segment assets	80,347,432	5,847,755	371,302,872	1,262,872,962	1,720,371,021
Total assets as per Statement of financial Position					1,720,371,021
Liabilities					
Segment liabilities	222,285,699	76,027,062	274,570,398	44,457,725	617,340,884
Total liabilities as per Statement of financial Position					617,340,884

Notes to the Audited Annual Financial Statements

2021 2020

63. COVID-19 Response Expenditure

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

Covid-19 in South Africa.

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.



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Knysna Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

2021 2020

The table below indicates the total Covid-19 response expenditure for the period ending 30 June 2021.

Summary per expense objective

General	56,153	245,113
Community and Social Services	529,027	541,325
Public Safety	36,503	787
Health	357,828	654,543
	979,511	1,441,768

The above expenditure pertained to the following items

Overtime	-	225,917
Travel and Subsistence	-	19,197
Tankering of water	-	1,238
Feeding of Homeless / Food distribution	210,651	489,652
Community and Awareness campaigns	318,376	49,116
Other	56,153	1,319
Other	36,504	787
Goggles / face shield / Visor	4,742	6,824
Sanitizer	75,825	408,837
Masks	236,169	72,255
Disinfectants	-	47,656
Cleaning costs	-	90,484
Decontamination of infected premises	-	1,110
Other	41,091	27,376
	979,511	1,441,768

The above expenditure was funded by a District Municipal Disaster Recovery Grant, R - (2020: R 417 000), Provincial Local Government Support Grant, R - (2020: R 550 000) and public contributions R - (2020: R 107 550). The Grants are included in note 9 . The remaining expenses was funded by the municipality's own funds.



AUDITOR - GENERAL
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APPENDIX A - Unaudited KNYSNA MUNICIPALITY SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021									
EXTERNAL LOANS	Rate	Loan Number	Original Loan Amount	Redeemable	Balance at 30 JUNE 2020	Received during the period	Accrued interest	Redeemed during the period	Balance at 30 JUNE 2021
ANNUITY LOANS									
ABSA	11.69%	Knysna Municipality 1	15,000,000	30/06/2028	10,138,895	-	-	(814,483)	9,324,411
ABSA	10.42%	Knysna Municipality 2	7,010,000	01/10/2028	4,815,652	-	-40,038	(360,019)	4,415,594
ABSA	10.99%	Knysna Municipality 3	7,000,000	30/09/2028	5,037,160	-	-339,889	(362,874)	4,334,397
ABSA	9.84%	Knysna Municipality 4	19,579,000	30/06/2029	13,369,028	-	0	(972,875)	12,396,154
ABSA	9.97%	Knysna Municipality 5	1,720,000	2022/01/31	822,084	-	-32,565	(375,705)	413,815
ABSA	10.33%	Knysna Municipality 6	9,680,000	2027/01/29	8,044,114	-	-329,677	(800,548)	6,913,869
DBSA	9.80%	13770/101	11,339,800	30/06/2021	596,832	-	-	(596,832)	-
DBSA	10.17%	13863/101	5,077,667	30/06/2022	534,491	-	-	(267,246)	267,246
DBSA	10.25%	100253/1	6,898,760	30/06/2023	1,089,278	-	-	(363,093)	726,185
DBSA	9.80%	100939/1	8,594,807	30/06/2024	1,809,433	-	-	(452,356)	1,357,075
DBSA	8.90%	101431/1	9,380,257	31/12/2025	2,715,337	-	-	(493,698)	2,221,640
DBSA	8.90%	101431/2	1,500,330	31/12/2020	53,583	-	-	(53,583)	-
DBSA	8.65%	102328/1	5,386,431	30/06/2026	2,015,568	-	-	(385,928)	1,679,640
DBSA	8.69%	102328/2	1,741,830	30/06/2021	1,221,129	-	-	(122,129)	-
DBSA	10.25%	61006807	8,000,000	29/05/2021	800,000	-	-	(800,000)	-
DBSA	10.30%	61006832	8,245,000	31/12/2026	4,592,812	-	-	(706,586)	3,886,225
DBSA	9.32%	61007564	57,438,000	29/06/2029	53,791,199	-	-0	(4,039,509)	49,751,690
DBSA	7.85%	61007646	6,326,667	29/06/2025	6,326,667	-	-	(1,083,489)	5,243,178
DBSA	8.20%	61007647	65,040,391	29/06/2025	65,040,391	-	-	(4,446,619)	60,593,772
INCA	7.93%	KNYS-00-0003	18,607,000	15/02/2027	11,007,951	-	2	(1,122,045)	9,885,908
Nedbank	11.05%	05/7831030611/02	14,960,000	17/06/2020	-	-	-	-	-
Nedbank	10.53%	05/7831030611/03	12,107,000	2029/07/31	9,603,178	-	-	(831,551)	8,971,627
Nedbank	10.11%	05/7831030611/04	2,050,000	2024/07/31	1,172,332	-	-	(217,806)	954,525
Nedbank	5.37%	7831030611/06	5,000,000	2023/06/30	3,000,000	-	-	(1,000,000)	2,000,000
Nedbank	5.65%	7831030611/05	20,424,087	2028/06/30	16,339,270	-	-0	(2,042,409)	14,296,861
Nedbank	6.21%	10/yr	63,499,225	2030/12/31	63,499,225	63,499,225	-	(3,174,961)	60,324,264
Nedbank	6.08%	5/yr	8,310,140	2025/12/31	8,310,140	8,310,140	-	(831,014)	7,479,126
Standard Bank	10.26%	28/1869596	10,000,000	30/09/2020	771,815	-	-0	(771,815)	-
Standard Bank	10.73%	82563586	2,020,000	2021/12/29	808,000	-	-	(404,000)	404,000
Standard Bank	11.02%	82563438	8,760,950	2026/12/29	6,109,970	-	-0	(872,853)	5,237,117
Standard Bank	11.30%	82563616	14,392,000	2031/12/29	11,513,600	-	-	(969,467)	10,554,133
Standard Bank	9.20%	[LN538375] - 5yr_2018/19	2,800,000	2023/12/29	2,240,000	-	-	(560,000)	1,680,000
Total Annuity Loans			437,889,343		244,280,767	71,809,365	(742,167)	(30,035,492)	285,312,473
LEASE LIABILITY									
Finance Leases					10,887,444	-	-	(4,301,927)	6,585,517
Total Lease Liabilities					10,887,444	-	-	(4,301,927)	6,585,517
TOTAL EXTERNAL LOANS					255,168,211	71,809,365	(742,167)	(34,337,419)	291,897,990



AUDITOR - GENERAL
SOUTH AFRICA

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31 January 2022

**APPENDIX B - Unaudited
KNYSNA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2020 Restated	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Year end Adjustment	Balance 30 JUNE 2021
	R	R	R	R		R
UNSPENT/(UNPAID) GOVERNMENT GRANTS AND RECEIPTS						
Nat Grant - Equitable Share	-	-107,996,000	107,996,000	-	-	-
Nat Grant - Local Government Finance Management Grant	-	-1,550,000	1,550,000	-	-	-0
Nat Grant - Municipal Infrastructure Grant	-6,072,796	-24,582,000	1,215,040	29,439,756	-	-
Nat Grant - Expanded Public Works Program (EPWP)	-	-1,254,000	1,254,000	-	-	-
Nat Grant - Neighbourhood Development Partnership Grant (NDPG)	-446,641	-15,000,000	58,000	15,095,072	-	-293,569
Nat Grant - Energy Efficiency and Demand Side Management Grant	-56,884	-	-	-	-	-56,884
Nat Grant - Water Services Infrastructure Grant	-	-5,835,000	-	496,251	-	-5,338,749
Nat Grant - Community Development Worker (Operat)	-36,250	-56,000	76,929	-	-	-15,321
Prov Grant - Library	-239,270	-9,878,000	9,990,770	126,500	-	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	14,212,890	-7,649,309	2,265,351	4,742,229	-	13,571,162
Prov Grant - Financial Management Grant (WC FMG)	-471,455	-800,000	643,273	-	-	-628,182
Prov Grant - Main Roads Subsidy	85,054	-110,000	102,000	-	-	77,054
Prov Grant - Disaster Management	-1,111,562	-	-	1,107,417	-	-4,145
Prov Grant - Other	-490,000	-600,000	250,000	-	-	-840,000
Other Organisational Grants: Nedbank: SMME Incubat	-	-440,000	-	-	-	-440,000
Total	5,373,087	(175,750,309)	125,401,363	51,007,225	-	6,031,365
CONSTRUCTION CONTRACTS AND RECEIVABLES						
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	20,080,155	(26,537,360)	47,954,777	-	-	41,497,572
Grand Total	25,453,242	(202,287,669)	173,356,140	51,007,225	-	47,528,937

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2021
Revenue and Expenditure (Standard Classification)**

R thousand	Description	2020/2021						Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2019/2020 Restated Audited Outcome
		Original Budget	Adjustments	Budget Adjustments (i.t.o. MFMA s28)	Virements	Final Budget	Actual Outcome			
	Revenue - Standard									
	<i>Governance and administration</i>	308,139,554	21,920,264	286,219,290	-	286,219,290	99.0%	92.0%	279,983,224	
	Executive and council	21,807,695	17,479,020	4,328,675	-	4,328,675	122.9%	24.4%	27,469,197	
	Finance and Administration	286,331,859	4,441,244	281,890,615	-	281,890,615	98.7%	97.1%	252,514,027	
	Internal Audit	-	-	-	-	-	-	-	-	
	<i>Community and public safety</i>	194,240,433	11,725,010	182,515,423	-	182,515,423	100.6%	94.5%	181,538,762	
	Community and social services	11,272,400	(681,349)	11,953,749	-	11,953,749	103.0%	109.2%	11,498,869	
	Sport and recreation	1,709,295	(474,953)	2,184,248	-	2,184,248	75.7%	96.8%	1,487,883	
	Public safety	127,509,690	23,998,308	103,511,382	-	103,511,382	110.7%	89.8%	95,515,110	
	Housing	53,749,048	(11,116,996)	64,866,044	-	64,866,044	84.9%	102.5%	73,036,900	
	<i>Economic and environmental services</i>	13,278,835	2,454,076	10,824,759	-	10,824,759	80.5%	65.7%	5,322,382	
	Planning and development	9,064,835	(374,706)	9,439,541	-	9,439,541	88.0%	91.7%	4,819,473	
	Road transport	4,214,000	2,828,782	1,385,218	-	1,385,218	29.4%	9.7%	502,910	
	Environmental protection	-	-	-	-	-	-	-	-	
	<i>Trading services</i>	544,800,975	15,531,970	529,269,005	-	529,269,005	98.7%	96.9%	493,842,482	
	Energy Sources	305,388,463	10,141,595	295,246,868	-	295,246,868	99.6%	96.3%	276,640,743	
	Water Management	102,369,410	(3,293,273)	105,662,683	-	105,662,683	97.8%	100.9%	95,935,456	
	Waste water management	76,630,511	(2,903,432)	79,533,943	-	79,533,943	102.0%	105.9%	76,606,247	
	Waste management	60,412,591	11,587,080	48,825,511	-	48,825,511	100.6%	81.3%	44,660,035	
	<i>Other</i>	-	-	-	-	-	-	-	-	
	Total Revenue - Standard	1,060,459,797	51,631,320	1,008,828,477		1,008,828,477	99.5%	94.6%	960,686,850	
	Expenditure - Standard									
	<i>Governance and administration</i>	207,495,463	14,838,961	192,656,502	32,947,712	159,708,790	99.1%	76.3%	188,376,166	
	Executive and council	36,852,925	2,002,510	34,850,415	4,690,824	30,159,591	115.7%	94.7%	32,047,430	
	Finance and Administration	164,875,378	10,018,909	154,856,469	27,933,838	126,922,631	95.2%	73.3%	152,613,909	
	Internal Audit	5,767,160	2,817,542	2,949,618	323,050	2,626,568	2,611,096	45.3%	3,714,828	
	<i>Community and public safety</i>	272,627,430	2,790,761	269,836,669	1,438,742	268,397,927	100.0%	98.5%	263,824,196	
	Community and social services	23,788,441	6,071,295	17,717,146	1,760,372	15,956,774	99.0%	66.4%	23,572,102	
	Sport and recreation	26,197,160	4,186,706	22,010,454	781,650	21,228,804	98.8%	80.0%	17,209,846	
	Public safety	161,439,250	11,355,534	150,083,716	(1,143,400)	151,227,116	107.2%	100.4%	145,561,677	
	Housing	61,202,579	(18,822,774)	80,025,353	40,120	79,985,233	87.1%	113.8%	77,480,570	
	Health	-	-	-	-	-	-	-	-	
	<i>Economic and environmental services</i>	98,444,550	26,450,473	71,994,077	1,339,080	70,654,997	99.2%	71.2%	88,577,149	
	Planning and development	41,730,100	6,104,220	35,625,880	535,760	34,982,495	98.7%	83.8%	33,128,214	
	Road transport	51,511,828	20,656,368	30,855,440	243,360	30,612,080	98.9%	58.7%	50,852,890	
	Environmental protection	5,202,622	(310,135)	5,512,757	559,960	4,952,797	98.4%	93.7%	4,596,045	
	<i>Trading services</i>	468,045,274	50,721,307	417,323,967	(36,265,394)	455,589,361	100.1%	97.4%	395,877,159	
	Energy Sources	264,188,201	7,274,050	257,914,151	(1,080,800)	257,994,951	99.8%	97.5%	234,150,720	
	Water Management	65,698,812	10,733,429	54,965,383	(14,159,160)	69,124,543	102.0%	107.3%	39,969,573	
	Waste water management	79,932,104	14,120,112	65,811,992	(9,802,064)	75,614,056	98.7%	93.4%	73,433,600	
	Waste management	58,222,157	18,593,716	39,632,441	(13,223,370)	52,855,811	100.9%	91.6%	48,323,266	
	<i>Other</i>	-	-	-	-	-	-	-	-	
	Total Expenditure - Standard	1,046,612,717	94,801,502	951,811,215	(2,539,860)	954,351,075	99.9%	91.1%	936,654,670	
	Surplus for the year	13,847,080	(43,170,182)	57,017,262	2,539,860	54,477,402	92.8%	365.0%	24,032,180	

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2021
Revenue and Expenditure (Municipal Vote Classification)**

Description	2020/2021							2019/2020		
	Original Budget	Adjustments	Budget Adjustments (i.t.o. MFMA s28)	Virements	Final Budget	Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand										
Revenue by Vote										
Vote 1 - Executive and Council	21,807,695	17,079,020	4,728,675	-	4,728,675	5,569,414	840,739	117.8%	25.5%	27,544,947
Vote 2 - Corporate Services	3,972,255	(5,176,029)	9,148,284	-	9,148,284	3,742,858	(5,405,426)	40.9%	94.2%	4,203,245
Vote 3 - Financial Services	249,573,546	5,699,856	243,873,690	-	243,873,690	243,220,868	(652,822)	99.7%	97.5%	228,442,477
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and development	19,742,940	(71,505)	19,814,445	-	19,814,445	19,645,432	(169,013)	99.1%	99.5%	23,170,575
Vote 6 - Community Services	219,574,529	39,626,092	179,948,437	-	179,948,437	193,742,993	13,794,556	107.7%	88.2%	154,193,269
Vote 7 - Electrical Services	305,397,073	10,150,205	295,246,868	-	295,246,868	294,170,444	(1,076,424)	99.6%	96.3%	276,648,971
Vote 8 - Technical Services	186,642,711	(4,559,323)	191,202,034	-	191,202,034	188,384,738	(2,817,296)	98.5%	96.3%	173,446,466
Vote 9 - Housing Services	53,749,048	(11,116,996)	64,866,044	-	64,866,044	55,074,463	(9,791,581)	84.9%	102.5%	73,036,900
Total Revenue by Vote	1,060,459,797	51,631,320	1,008,828,477	-	1,008,828,477	1,003,551,209	(5,277,268)	99.5%	94.6%	960,686,850
Expenditure by Vote to be appropriated										
Vote 1 - Executive and Council	47,068,876	5,164,222	41,904,654	5,049,724	36,854,930	41,587,168	4,732,238	112.8%	88.4%	39,181,571
Vote 2 - Corporate Services	55,827,274	(2,440,100)	58,267,374	1,483,860	56,783,514	51,850,624	(4,932,890)	91.3%	92.9%	55,114,477
Vote 3 - Financial Services	86,623,040	6,276,406	80,346,634	25,894,740	54,451,894	53,240,528	(1,211,366)	97.8%	61.5%	80,474,844
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and development	26,313,609	396,242	25,917,367	100,590	25,816,777	25,466,601	(350,176)	98.6%	96.8%	26,231,186
Vote 6 - Community Services	277,886,658	37,037,272	240,849,386	(11,729,798)	252,579,184	265,553,394	12,974,210	105.1%	95.6%	244,414,677
Vote 7 - Electrical Services	269,342,288	8,737,032	260,605,256	(183,782)	260,789,038	260,430,247	(358,791)	99.9%	96.7%	236,505,743
Vote 8 - Technical Services	222,348,393	58,453,202	163,895,191	(23,195,314)	187,090,505	185,211,882	(1,878,623)	98.9%	96.7%	177,251,602
Vote 9 - Housing Services	61,202,579	(18,822,774)	80,025,353	40,120	79,985,233	69,671,880	(10,313,353)	87.1%	113.8%	77,480,570
Total Expenditure by Vote	1,046,612,717	94,801,502	951,811,215	(2,539,860)	954,351,075	953,012,326	(1,338,749)	99.9%	91.1%	936,654,670
Surplus for the year	13,847,080	(43,170,182)	57,017,262	2,539,860	54,477,402	50,538,884	(3,938,518)	92.8%	365.0%	24,032,180

**Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2021
Revenue and Expenditure**

Description	2020/2021							2019/2020		
	Original Budget	Adjustments	Budget Adjustments (i.t.o. MFMA s28)	Virements	Final Budget	Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue By Source										
Property Rates	236,157,576	6,638,166	229,519,410	-	229,519,410	227,433,929	(2,085,481)	99.1%	96.3%	211,839,033
Service Charges	435,781,304	41,793,084	393,988,220	1,728,678	395,716,898	400,225,513	4,508,615	101.1%	91.8%	-
Rental of facilities and equipment	5,728,380	63,825	5,664,555	-	5,664,555	5,756,265	91,710	101.6%	100.5%	5,820,313
Interest earned - external investment	4,721,608	1,273,386	3,448,222	-	3,448,222	3,209,892	(238,330)	93.1%	68.0%	4,687,497
Interest earned - outstanding debt	16,356,525	1,299,441	15,057,084	-	15,057,084	14,900,444	(156,640)	99.0%	91.1%	14,710,814
Dividends received	-	-	-	-	-	-	-	0.0%	-	-
Fines, penalties and forfeits	122,543,400	24,094,697	98,448,703	-	98,448,703	108,739,352	10,290,649	110.5%	88.7%	89,099,451
Licences and permits	1,747,232	251,575	1,495,657	-	1,495,657	1,590,801	95,144	106.4%	91.0%	1,194,339
Agency services	3,150,000	(350,000)	3,500,000	-	3,500,000	3,630,328	130,328	103.7%	115.2%	3,064,946
Transfers recognised - operational	161,320,350	(31,641,541)	192,961,891	2,539,860	195,501,751	177,944,792	(17,556,959)	91.0%	110.3%	165,911,452
Other revenue	8,950,261	(1,424,327)	10,374,588	(1,228,678)	9,145,910	12,541,200	3,395,290	137.1%	140.1%	10,039,526
Gains	7,757,096	7,487,531	269,565	-	269,565	542,176	272,611	201.1%	7.0%	3,672,230
Total Revenue (excluding)	1,004,213,732	49,485,837	954,727,895	3,039,860	957,767,755	956,514,693	(1,253,062)	99.9%	95.3%	510,039,602
Expenditure By Type										
Employee related costs	283,808,518	11,274,843	272,533,675	2,124,434	274,658,109	279,130,364	(4,472,255)	101.63%	98.4%	263,423,296
Remuneration of councillors	10,023,084	58,346	9,964,738	(1,182,400)	8,782,338	8,781,010	1,328	99.98%	87.6%	8,108,340
Debt impairment	183,498,900	46,821,260	136,677,640	(4,038,000)	132,639,640	142,236,937	(9,597,297)	107.24%	77.5%	122,473,903
Depreciation & asset impairment	30,591,378	(10,806,308)	41,397,686	(3,691,550)	37,706,136	39,992,661	(2,286,525)	106.06%	130.7%	35,120,794
Finance charges	34,041,114	11,009,371	23,031,743	(499,082)	22,532,661	22,311,453	221,208	99.02%	65.5%	29,451,663
Bulk purchases - electricity	206,632,034	10,032,034	196,600,000	2,700,000	199,300,000	199,242,027	57,973	99.97%	96.4%	188,257,343
Inventory consumed	46,405,474	10,113,275	36,292,199	8,744,038	45,036,237	41,934,776	3,101,461	93.11%	90.4%	40,881,512
Contracted services	158,164,054	(12,514,114)	170,678,168	9,178,636	179,856,804	166,631,541	(13,225,263)	92.65%	105.4%	184,497,121
Transfers and subsidies	8,409,148	1,288,608	7,120,540	(5,405,860)	1,714,680	1,257,952	456,728	73.36%	15.0%	2,411,971
Other expenditure	74,452,663	17,437,837	57,014,826	(4,890,356)	52,124,470	52,045,074	79,396	99.85%	69.9%	58,728,062
Losses	50,000	50,000	-	-	-	-	-	0.00%	0.0%	3,300,664
Total Expenditure	1,036,076,367	84,765,152	951,311,215	3,039,860	954,351,075	953,563,795	787,280	99.92%	92.0%	936,654,670
Surplus/(Deficit)	(31,862,635)	(35,279,315)	3,416,680	-	3,416,680	2,950,898	(465,782)	86.4%	-9.3%	(426,615,068)
Transfers recognised - capital	45,709,715	(7,890,867)	53,600,582	2,539,860	51,060,722	46,418,922	(4,641,800)	90.9%	101.6%	63,092,906
Contributions recognised - capital	-	-	-	-	-	1,169,063	1,169,063	0.0%	0.0%	20,850
Contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus for the year	13,847,080	(43,170,182)	57,017,262	2,539,860	54,477,402	50,538,894	(3,938,519)	92.8%	365.0%	(363,501,312)

Appendix C - Unaudited
Knysna Municipality
National Treasury Appropriation Statements for the year ended 30 June 2021
Capital Expenditure by Vote, Standard Classification and Funding

Description	2020/2021									2019/2020
	Original Budget	Adjustments	Budget Adjustments (i.t.o. MFMA s28)	Virements	Final Budget	Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
R thousand										
Capital expenditure - Vote										
Multi-year expenditure										
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	-	(350)	350	50	300	129	171	43.07%	#DIV/0!	-
Vote 3 - Financial Services	-	-	-	-	-	-	-	-	-	-
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Development	-	(78)	78	(50)	128	118	10	92.16%	#DIV/0!	-
Vote 6 - Community Services	4,110	3,110	1,000	358	642	635	6	99.03%	15.46%	-
Vote 7 - Electrical Services	12,200	(10,650)	22,850	(156)	23,006	22,496	509	97.79%	184.40%	-
Vote 8 - Technical Services	100,159	(2,992)	103,151	(1,256)	104,407	88,698	15,709	84.95%	88.56%	-
Vote 9 - Housing Services	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure	116,469	(10,960)	127,429	(1,052)	128,482	112,077	16,405	87.23%	96.23%	-
Single-year expenditure										
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	2,572	1,970	602	(6)	607	478	129	78.69%	18.58%	-
Vote 3 - Financial Services	7	-	7	-	7	5	2	66.55%	66.55%	-
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Development	342	88	254	(79)	333	-	333	-	-	-
Vote 6 - Community Services	22,589	116	22,473	(108)	22,581	14,803	7,778	65.56%	65.53%	-
Vote 7 - Electrical Services	5,698	4,743	955	156	800	973	(174)	121.74%	17.08%	-
Vote 8 - Technical Services	3,500	(3,477)	6,977	729	6,248	5,481	767	87.72%	156.61%	-
Vote 9 - Housing Services	6,761	(1,240)	8,001	2,900	5,101	4,742	359	92.97%	70.14%	-
Capital single-year expenditure	41,469	2,199	39,269	3,592	35,677	26,483	9,194	74.23%	63.86%	-
Total Capital Expenditure - Vote	157,938	(8,761)	166,699	2,540	164,159	138,560	(25,599)	84.41%	87.73%	-
Capital Expenditure - Standard										
Governance and administration	2,879	(3,334)	6,213	(186)	6,399	5,461	(938)	85.35%	189.72%	-
Executive and council	-	-	-	-	-	-	-	-	-	-
Finance and Administration	2,879	(3,334)	6,213	(186)	6,399	5,461	(938)	85.35%	189.72%	-
Internal Audit	-	-	-	-	-	-	-	-	-	-
Community and public safety	26,560	1,475	25,085	3,393	21,692	19,770	(1,922)	91.14%	74.44%	-
Community and social services	16,143	1,866	14,277	247	14,030	13,660	(370)	97.36%	84.62%	-
Sport and recreation	2,960	1,660	1,300	246	1,054	405	(649)	38.41%	13.68%	-
Public safety	696	(812)	1,508	-	1,508	963	(544)	63.90%	138.40%	-
Housing	6,761	(1,240)	8,001	2,900	5,101	4,742	(359)	92.97%	70.14%	-
Health	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	31,258	1,616	29,642	163	29,479	27,640	(1,839)	93.76%	88.42%	-
Planning and development	500	(200)	700	18	682	586	(96)	85.86%	117.12%	-
Road transport	30,716	1,852	28,864	145	28,719	26,986	(1,733)	93.97%	87.86%	-
Environmental protection	42	(36)	78	-	78	68	(10)	87.18%	161.90%	-
Trading services	97,241	(8,518)	105,759	(830)	106,589	85,688	(20,901)	80.39%	88.12%	-
Energy Sources	17,898	(907)	18,805	-	18,805	18,765	(40)	99.79%	104.84%	-
Water Management	47,551	(8,262)	55,813	301	55,512	45,519	(9,993)	82.00%	95.73%	-
Waste water management	25,692	940	24,752	(973)	25,725	21,073	(4,652)	81.92%	82.02%	-
Waste management	6,100	(289)	6,389	(159)	6,548	331	(6,216)	5.06%	5.43%	-
Other	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	157,938	(8,761)	166,699	2,540	164,159	138,560	(25,599)	84.41%	87.73%	-
Funded by:										
National Government	37,949	(6,190)	44,138	-	44,138	39,132	(5,006)	88.66%	103.12%	-
Provincial Government	6,401	(3,061)	9,462	2,540	6,923	5,816	(1,107)	84.01%	90.85%	-
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	44,350	(9,251)	53,601	2,540	51,061	44,948	(6,113)	88.03%	101.35%	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	71,809	(34,444)	106,253	150	106,103	91,872	(14,232)	86.59%	127.94%	-
Internally generated funds	41,779	34,934	6,845	(150)	6,995	1,740	(5,255)	24.88%	4.17%	-
Total Capital Funding	157,938	(8,761)	166,699	2,540	164,159	138,560	(25,599)	84.41%	87.73%	-



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