



Knysna Municipality
Annual Report 2010/2011



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INTRODUCTION BY THE EXECUTIVE MAYOR

It gives me great pleasure to present the Annual Report for 2010/2011. This year saw the inauguration of a new Town Council, along with my election to the office of Executive Mayor. This brought about its own challenges, yet everyone has settled into their new positions and are already hard at work. Although the current Council performed just short of two months' worth of service after the election and before the end of the financial year, I am pleased at the results shown in this report. I look forward to ensuring even better results in the new financial year, through an innovative approach to governance and commitment to service delivery.

Through the Mayoral Bursary fund, the Municipality has addressed the challenge of a scarcity of skills by once again offering bursaries to local students. In 2010 the first graduate was appointed as a town planner at our Municipality. This initiative, with an unsurpassed success rates, is one that we cannot afford to put on the back burner.

Knysna Municipality has received yet another unqualified audit report for 2009/2010, making it the 4th consecutive unqualified audit that we have received. We are well on track to our commitment towards Clean Audit 2014.

Phase 1 of the Nedbank Small Businesses Incubator project was completed during this time period and the second phase has commenced. Through this programme, with the kind assistance of Nedbank, we have been able to assist local entrepreneurs who applied by submitting business proposals to the Municipality. These entrepreneurs were interviewed by a panel consisting of representatives from Nedbank, Red Door and the Municipality. This programme aims at entrepreneurial skills development by providing the necessary training and assistance and providing start up materials for their various businesses.

In this time period, 335 houses have been built and supplied with running water, water-borne sanitation and electricity. Although housing is still a key issue in our Municipality, we are breaking ground at an astounding rate through the employment of local emerging contractors. This year saw the successful migration to a new computerized library system for all libraries in the greater Knysna municipal area. Not only does this upgrade mean that we are now on par with larger municipalities, it will ensure that some of the most valuable resources for educational purposes are able to be tracked correctly. I encourage all residents of Knysna and Sedgelyield to make use of our well-kept libraries. I wish to thank the previous Council for the role they had to play in the achievements of 2010/2011. Furthermore, thank you to my political colleagues, the Acting Municipal Manager Lauren Waring and the various Directors for ensuring synergy between the Council and Administration. I now look forward to see this Council out-do itself during 2011/2012.

Councillor Georlene Wolmarans

Executive Mayor



OVERVIEW BY THE ACTING MUNICIPAL MANAGER

With the guidance of Council and the leadership of the previous Municipal Manager, the Administration performed to the best of its abilities and I am proud to have been afforded the responsibility of building upon this secure foundation until a Municipal Manager has been appointed.

During the 2010/2011 financial year this Municipality reached many of its goals and received many laurels. We are also proud to have been independently ranked as the third best performing Local Authority by Municipal IQ, a web-based independent Local Government monitoring and assessment service.

Aside from having a fully functioning Audit Committee, we have achieved full GRAP compliance. In terms of the Public Finance Management Act, 1999, the Standards of Generally Recognised Accounting Practice (GRAP) are determined by the Accounting Standards Board. Generally Accepted Municipal Accounting Practices (GAMAP) and GRAP are accounting practices that municipalities are required to adhere to by law – we have achieved compliance to both of these legal requirements.

Our Departments: Local Economic Development, as well as Integrated Development Planning have been combined, which has contributed to greater synergy between these departments, improved internal management ability and commitment and 100% spend on capital expenditure. We have reached another milestone in our efforts to electrify the entirety of the greater Knysna municipal area with the new 20MVA transformer intake substation installed in Knysna, which has increased our capacity.

Following the retirement of Mr Neale Perring from the office of Director: Technical Services, Mr Emanuel Myalato was appointed to this office and commenced service on 1 April 2011. The reverse osmosis water augmentation plant on George Rex Drive was handed over to the Municipality for a twelve month maintenance period on 16 July 2010. This RO plant, along with the additional bore holes and the seawater desalination plant in Sedgefield, provides the greater Knysna municipal area with potable water during times of extreme drought. We thank our residents for adhering to our requests of conserving this invaluable, yet severely limited life source. It is this responsible commitment to water restrictions and other limitations which has led to the significant support we received from both Provincial and National Treasury in our efforts to carry our residents through the most severe drought experienced in local recorded history.

We have not only started with the first phase of upgrading the wastewater treatment works; we have also refurbished three sewer pump stations and commissioned one pump station in Dam-se-bos.

The problem of pollution in our estuary is being addressed with plans to locate the source, or sources, of pollution from the largely unsewered high-lying areas surrounding our town and dealing with these problems accordingly. While this problem is historic, as it has been compounded over decades, we know that it is our responsibility to take charge and find a long term solution to this historic problem.

Lauren Waring

Acting Municipal Manager

Director: Planning and Development

Introduction & Municipal Overview





CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Knysna Municipality in the Western Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2010/11 Annual Report reflects on the performance of the Knysna Municipality for the period 1 July 2010 to 30 June 2011. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.1.1 VISION AND MISSION

The Knysna Municipality committed itself to the vision and mission of:

Vision:

"Knysna, the Town That Works For All!"

Mission:

"To provide affordable quality services, alleviate poverty, and facilitate social and economic development of the Greater Knysna municipal area through integrated development planning, cooperative governance, skills development and the sustainable use of resources."

1.1.2 DEMOGRAPHIC INFORMATION

A) MUNICIPAL GEOGRAPHICAL INFORMATION

Geography & Climate

- GPS position: -34,029999 Latitude/23,059999 Longitude
- Time Zone : GMT + 2 hours

The Greater Knysna Municipal Area covers a total surface 1 059 km². It stretches from the Swartvlei in Sedgefield in the West to Harkerville in the East. The municipal area is bordered by the Outeniqua Mountains in the North and the Indian Ocean in the South. Knysna town is situated along the northern shores of the Knysna Lagoon.

The area enjoys a mild climate with an average annual rainfall of 750 mm and temperatures ranging from 8°C in winter, to 28°C in summer, making it both a favourite holiday and retirement destination. The natural

beauty of the surroundings has enticed artists of all disciplines, earning it the reputation of artistic capital of the Garden Route.

The region's flora includes Afro-montane, or temperate rainforest, which covers the hilly terrain. An abundance of unique Cape Fynbos ('fine or delicate bush') grows throughout the region.

Knysna Municipality is situated in the Southern Cape which is a renowned tourist destination in the Republic of South Africa. It is on the Garden Route, about 500 km's East from Cape Town on the N2 between George and Plettenberg Bay. The Municipal area of Knysna includes the surrounding areas of Sedgefield, Brenton, Belvedere, Rheenendal, Karatara, Knoetzie and Buffels Bay. Although branch offices exist in these areas, the main Municipal activities take place in Knysna.

Wards

Pre 18 May 2011 the Municipality was made up by the following 8 Wards:

Ward	Areas
1	Sedgefield, Smutsville and Sizamile
2	Karatara, Rheenendal, Buffels Bay, Bibbie'sHoek, Agricultural areas
3	Town Hall, Lower & Upper Old Place, Town East of Long Street, Khayaletu North & South, Edameni; Knoetzie Brackenhill
4	White Location, Flenters, Rhobololo, Qolweni, Ethembeni
5	Brenton, Belvedere, Knysna Town, Leisure Isle, Paradise, Sparrebosch, Knysna Heads, Rexford, Hunter's Home;
6	Hornlee, Sunridge, Hornlee Extension
7	Dam-se-Bos, Nekkies, Oupad, Hlalani, Hornlee (Fortuin Street & Donkerhoek)
8	Vermont, Fraaisig, Thesen Isle, Jood-se-Kamp, Concordia, Bongani

Chapter 1 – Table 1: Municipal Wards as at 17 May

The Municipality is currently structured into the following 10 Wards:

Ward	Areas
1	Sizamile-Smutsville; Rondevlei; Myoli Beach; Cola Beach; The Island; Hoogekraal; Rondevlei; Farleigh Forest
2	Sedgefield Town; Karatara
3	Bracken Hill; Buffelsnek; Dam se Bos; Portion of Nekkies West; Nekkies; Sanlam; Oupad; Knoetzie
4	Flenters; Wit Lokasie; Bloemfontein; Greenfields; Qolweni; Upper Old Place
5	Rheenendal; Belvedere; Brenton-on-Sea; Eastford; Old Phantom Pass; Lake Brenton; Buffels Bay; BibbysHoek; surrounding farm areas
6	Wing Street; Charlie Levack Street; Chapel Street; Fontein Street; Geelbekkloof Street; Davidson Street; Calender Street And Botha Street; Hlalani



Ward	Areas
7	Rhobololo; Bongani; Dam se Bos; Portion of Flenfers; Portion of Khayaletu-Ngalo Street; Chungwa and Edameni; Khayaletu Valley; Emsobomvu including Ngalo Street
8	Fraaisig; Ethembeni; Joodsekamp; Concordia and Kanonkop; Rykmaanshoogte
9	Sunridge (Swarthout Street; Alexander Street; Katrina Street and Heatherdale); Leisure Isle; Thesen Island; The Heads; Sparrebosch/Pezula; Hunters Home
10	Town Central; Knysna Heights; Paradise; High Street; Graham Street; Thesen Hill; Unity Street; Lower Old Place; Bokmakerrie Street; Heron Street

Chapter 1 – Table 2: Municipal Wards

Below is a map of the indicating the Knysna municipal area:



Figure 1: Knysna Municipal Area map

Towns

- Brenton
- Buffelsbaai
- Knysna
- Knoetzie
- Rheenendal
- Sedgefield

B) POPULATION

The municipality is estimated to account for 12.7% or 65,043 of the Eden District’s population of 513,306 in 2007.

a) Total Population

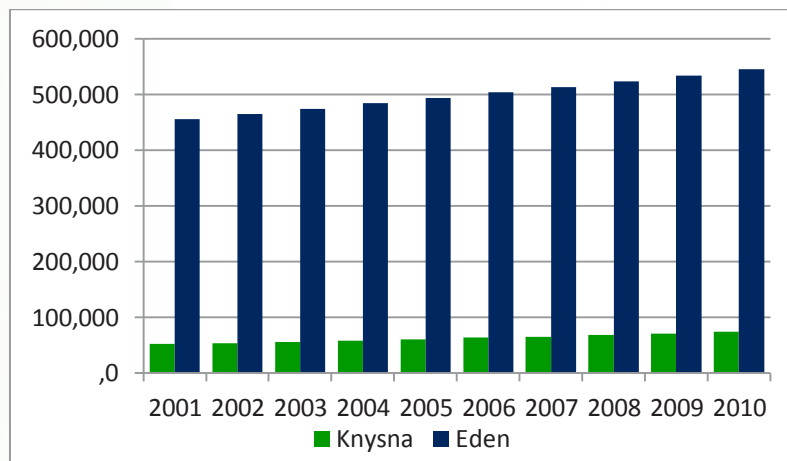
The table below indicates the total population within the municipal area:

2001	2007	2010 (Estimated)
51,466	65,043	74,169

Chapter 1 – Table 3: Demographic information of the municipal area – Total population

The population growth for the 2007 to 2010 period is estimated at 12.3% and the population growth is estimated at 4.14% per year from 2001 to 2010.

The graph below illustrate the yearly estimated population growth for the municipal area.



Chapter 1 – Graph 1: Total Population Growth

The population of Knysna Municipality was 65 043 people in 2007. The population is diversified across race groups and culture and are characterised by varying levels of socio-economic status and education. Knysna’s economy grew positively over the 2001 to 2007 period, which has supported labour absorption initiatives in the municipal area. The municipality has done well in respect of improving access to basic services and implements sound governance and administration practices.

Knysna has the 4th largest population in Eden District with a population size of 65 043 people in 2007 compared to 51 468 people in 2001. The population grew on average by 3.9 % between 2001 and 2007. Males accounted for 50.6 % of the total Knysna population in 2007 while females accounted for 49.4 %.

The gender ratio in 2001 was 97 males per 100 females, while in 2007 it increased to 102 males per 100 females. The male population increased from 25 357 people in 2001 to 32 888 people in 2007, at an average



annual growth rate of 4.4 %. The female population increased from 26 111 people in 2001 to 32 155 people in 2007, which represents an average annual growth rate of 3.5 %.

Children accounted for 25.6 % (16 646) of Knysna’s population in 2007. The child dependency ratio for 2007 was 37.3 %, which is a slight improvement from the 2001 ratio of 39.4 %. The youth represented 37.3 % of the population in 2007 and together with children represent 62.9 % of Knysna’s population; hence Knysna has a relatively youthful population.

The working age population (15-64 years) accounted for 68.6 % of Knysna’s population in 2007, growing at an average annual rate of 4.5 % over the period 2001 to 2007. Persons aged 65 years and older accounted for 5.9 % of the total population in 2007, down from 7.2 % in 2001. The aged dependency ratio also declined over the period from 10.9 % in 2001 to 8.5 % in 2007.

The overall dependency ratio improved from 50.3 % in 2001 to 45.9 % in 2007. The improved dependency ratio can be attributed to growth within the working age population being greater than growth within the children and elderly populations over the 2001 to 2007 period.

C) POPULATION RATIO

The Coloured racial group was the largest population group in Knysna in both 2001 and 2007, growing at an average annual rate of 4.1 % between 2001 and 2007. The Black racial group was the second largest population group in 2007, growing at average annual rate of 5.6 % between 2001 and 2007. The White racial group maintained its ranking of the third largest population group in 2007. Representation by the Indian/Asian population in Knysna Municipality grew at an average annual rate of 17.0 % between 2001 and 2007, representing less than 1.0 % of the total population in 2007.

1.1.3 MUNICIPAL CHALLENGES

The following general challenges are experienced by the municipality:

Challenges	Actions to address
Ward Committees functionality	Establishment of new Ward Committees in 2011/12
Land acquisition	Identify state land Rural development to submit area base plans to Knysna Municipality
Housing	Require adequate funding for upgrading of existing and new bulk services. Assistance is required from National Government
Electricity Bulk Infrastructure	Department of Minerals and Energy assists Municipality to acquire and install ring supply in order to reduce overloads of lines.
Water Augmentation	DAFF, DEADP, DEA, Province: Funding source for the expansion Water storage capacity including technical assistance if required.
Road Maintenance	Department of Public Works Transport assists with funding for, upgrade, rehabilitation, resealing and re-gravelling of roads with economic and social development potential.



Challenges	Actions to address
Sustainable Infrastructure Investment	The continued growth of the town has put a lot of pressure on infrastructure. This growth - which cannot simply be stopped - will continue at a rate which the Municipality struggles to match financially.
On-going Local Economic Downturn	In the municipality the established areas take up 94% of debits raised as against 6% in the previously disadvantaged areas. In an economic downturn the effect of high tariffs and rates on the middle and low income groups is dramatic. This is clearly reflected in the number of new arrangements made by debtors from these groupings. Knysna is a domestic based municipality with limited non-domestic resources. The non-domestic sector, of which 50% is tourist related, contributes 25% of total rates and tariff revenue which is simply not enough to be sustainable with all the demands currently being placed on our expenditure.
Focused development of the previously disadvantaged	The poorest communities in our areas are subjected to the worst living conditions and the Municipality has committed itself towards poverty alleviation. Programmes with clear funding intentions are being designed for that purpose. The Neighbourhood Revitalisation Programme is intended to formulate the desired response to this problem.
Integrated Human Settlement	The provision of housing settlements, with a strong emphasis on sustainability, is an important issue for Knysna Municipality. Within the context of a composite set of development needs of the previously disadvantaged, the Municipality will address the needs for housing as far as it financially can. Although some of the obstacles regarding successful housing provision are not necessarily within the control of the municipality, i.e. access to land, the challenge still remains for Council to devise creative strategies to deal with this matter. In line with that the Council has engaged with the other spheres of government, i.e. DAFF and the Department of Public Works. The Integrated Human Settlement strategy will pave the way for future housing provision in the Knysna area provided the strategy remains affordable to the Knysna tax and tariff paying community.
The challenge of promoting Local Economic Development	The need for the diversification of the local economy through facilitating the emergence of previously underperforming sectors is an important catalyst for economic development. Our Local Economic Development strategy focuses on mainstreaming the previously disadvantaged people. Crucial to this is the need to work in partnership with relevant stakeholders in boosting employment and fostering SMMEs.
The challenge of ensuring municipal financial viability	A municipality must have the ability to balance needs with resources. Knysna Municipality cannot generate sufficient resources to properly satisfy all its needs. Therefore those needs will have to be managed and dealt with in a financially sustainable manner.
The challenge of municipal transformation and institutional development	Staff development is crucial to meet the challenges of Knysna and the new ethos of local government. The Employment Equity imperatives have to be assessed continually to ensure that Knysna Municipality's transformation remains in line with the broader transformation agenda of South Africa. Included in this must be an accelerated emphasis on growing and developing our own timber. Knysna struggles to offer competitive salaries and therefore our ability to attract qualified and quality staff is severely limited. We must therefore develop from within.
Public Participation	Public Participation is an important feature of any democratic environment. Although the legislative environment provides adequately for public participation, Knysna Municipality is challenged to ensure that it continues to build on its successes over the last few years.

Chapter 1 – Table 4: Municipal Challenges

Chapter 2
Governance



CHAPTER 2: GOVERNANCE

2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & Indicators	Municipal Achievement	Municipal Achievement	Municipal Achievement
	2008/09	2009/10	2010/11
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	88%	90%	92%

Chapter 2 – Table 1: National – Good Governance and Public Participation Performance

2.2 GOVERNANCE STRUCTURE

2.2.1 POLITICAL GOVERNANCE STRUCTURE

The Council performs both legislative and executive functions. It focuses on legislative, oversight and participatory roles, and has delegated its executive function to the Executive Mayor and the Mayoral Committee. The role of Councillors is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are also actively involved in community work and are a critical link between the Municipality and the communities.

The Council of the Knysna Municipality comprises of 19 elected Councillors, made up from 10 Ward Councillors and 9 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties.

A) COUNCIL

Below is a table that categorised the councillors within their specific political parties and wards before 18 May:

Name of councillor	Capacity	Political Party	Ward representing or proportional
Eleanore Bouw-Spies	Executive Mayor	ANC	Proportional Representative
Donald Kemoetie	Executive Deputy Mayor/ Executive Councillor: Finance & Corporate Services	ANC	Ward 6
Andrew Finn	Executive Councillor: Technical Services Planning & Development Human Settlements	ANC	Proportional Representative
Nompumelelo Koti	Executive Councillor: Community Services	ANC	Ward 7

KNYSNA MUNICIPAL COUNCIL AFTER 18 MAY



Lungelwa Charlie



Richard Dawson



Mthobeli Dyantyi



Esme Edge



Mertle Gombo



Irene Grootboom



Louisa Hart



Beauty Hololoshe



Wiseman Litoli



Migiel Lizwani



Theodoris Nayler



Phumla Nkam



Ntombizanele Sopeki



Elrick Van Aswegen



Michelle Wasserman



Velile Waxa



Magdalena Williams



Clive Witbooi



Georlene Wolmarans

Name of councillor	Capacity	Political Party	Ward representing or proportional
	Strategic Services		
Victor Molosi	Speaker	ANC	Ward 8
Theodoris Naylor	Ward Councillor	DA	Ward 1
Lawrence Jule	Ward Councillor	ANC	Ward 2
Amy Matungana	Ward Councillor	ANC	Ward 3
Sonwabo Loliwe	Ward Councillor	ANC	Ward 4
James Botha	Ward Councillor	DA	Ward 5
Richard Dawson	Proportional Councillor	DA	Proportional Representative
Winile Joyi	Proportional Councillor	NPP	Proportional Representative
Nofinish Gungubele	Proportional Councillor	ANC	Proportional Representative
Rev. Henry McCombi	Proportional Councillor	DA	Proportional Representative
Edna October	Proportional Councillor	DA	Proportional Representative
Georlene Wolmarans	Proportional Councillor	ID	Proportional Representative

Chapter 2 – Table 2: Council until 18 May 2011

Below is a table that categorised the councillors within their specific political parties and wards after 18 May:

Name of councillor	Capacity	Political Party	Ward representing or proportional
Georlene Wolmarans	Executive Mayor	DA	Proportional Representative
Michelle Wasserman	Executive Deputy Mayor/ Executive Councillor: Finance, Economic Development and Governance Committee	DA	Ward 9
Esme Edge	Executive Councillor: Infrastructure Development Committee	DA	Proportional Representative
Magdalena Williams	Executive Councillor: Community Services Committee	DA	Ward 5
Louisa Hart	Executive Councillor: Planning and Development Committee	DA	Ward 2
Richard Dawson	Speaker	DA	Ward 10
Irene Grootboom	Ward Councillor	DA	Ward 1
Migiel Lizwani	Ward Councillor	ANC	Ward 3
Wiseman Litoli	Ward Councillor	ANC	Ward 4
Clive Witbooi	Ward Councillor	ANC	Ward 6
Mertle Gombo	Ward Councillor	ANC	Ward 7
Ntombizanele Sopeki	Ward Councillor	Independent	Ward 8
Beauty Hololoshe	Proportional Councillor	DA	Proportional Representative
Theodoris Naylor	Proportional Councillor	DA	Proportional Representative
Elrick van Aswegen	Proportional Councillor	COPE	Proportional Representative
Lungelwa Charlie	Proportional Councillor	DA	Proportional Representative
Mthobeli Dyantyi	Proportional Councillor	ANC	Proportional Representative
Phumla Nkam	Proportional Councillor	ANC	Proportional Representative
Velile Waxa	Proportional Councillor	ANC	Proportional Representative

Chapter 2 – Table 3: Council after 18 May 2011



Below is a table which indicates the Council meetings attendance for the 2010/11 financial year:

Meeting dates	Number of minutes submitted	Percentage Council Meetings Attendance
29 July 2010	1	88% (14/16)
30 September 2010	1	88% (14/16)
8 October 2010 (Special)	1	75% (12/16)
7 December 2010	1	94% (15/16)
17 December 2010 (Special)	1	63% (10/16)
25 January 2011	1	94% (15/16)
25 February 2011 (Special)	1	69% (11/16)
17 March 2011	1	81% (13/16)
20 April 2011	1	88% (14/16)
31 May 2011 (Special)	1	100% (19/19)
15 June 2011 (Special)	1	89% (17/19)

Chapter 2 – Table 4: Council meetings

B) EXECUTIVE MAYORAL COMMITTEE

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period 1 July to 18 May:

Name of member	Capacity
Eleanore Bouw-Spies	Executive Mayor
Donald Kemoetie	Deputy Mayor (Chairperson: Finance, Economic Development and Governance Committee)
Andrew Finn	Member (Chairperson: Infrastructure Development & Integrated Human Settlements Committee)
Nompumelelo Koti	Member (Chairperson: Community Services Committee)

Chapter 2 – Table 5: Executive Mayoral Committee until 18 May 2011

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period 31 May to 30 June 2011:

Name of member	Capacity
Georlene Wolmarans	Executive Mayor
Michelle Wasserman	Executive Deputy Mayor (Chairperson Finance & Governance Committee)
Esme Edge	Member (Chairperson Infrastructure Development Committee)
Magdalena Williams	Member (Chairperson Community Services Committee)
Louisa Hart	Member (Chairperson Planning and Development Committee)

Chapter 2 – Table 6: Executive Mayoral Committee 31 May 2011

C) PORTFOLIO COMMITTEES

The portfolio committees' primary responsibility is to exercise oversight over the executive arm of the municipality's governance structure. These committees monitor the delivery and outputs of the executive and may request Directorates to account for the outputs of their functions. Executive Councillors account for executive decisions and operations performed in general policy framework agreed to by Council and although the portfolio committees play an oversight role, they have limited decision-making powers. These committees

are responsible for submitting their reports to the Mayoral Committee. The portfolio committees for the current Mayoral Term and its Chairpersons are as follows:

The portfolio committees for the 2006/11 Mayoral term and their Chairpersons were as follow:

Committee	Chairperson	Section 79 or 80 Committee	Number of minutes submitted to council	Meeting Date
Mayco	Bouw-Spies, Eleanore	Section 80	9	22 July 2010 19 August 2010 23 September 2010 21 October 2010 23 November 2010 18 January 2011 17 February 2011 10 March 2011 14 April 2011
Community Services Committee	Koti, Nompumelelo	Section 80	7	3 August 2010 10 September 2010 7 October 2010 9 November 2010 10 February 2011 1 March 2011 5 April 2011
Infrastructure Development Committee	Finn, Andrew	Section 80	7	4 August 2010 8 September 2010 6 October 2010 3 November 2010 9 February 2011 2 March 2011 6 April 2011
Finance and Governance Committee	Kemoetie, Donald	Section 80	7	3 August 2010 9 September 2010 5 October 2010 2 November 2010 8 February 2011 11 March 2011 5 April 2011

Chapter 2 – Table 7: Portfolio Committees

2.2.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

The Administration arm of Knysna Municipality is headed by the Municipal Manager, who has 5 Section 57 Directors who report directly to him. The Electro-technical Engineer and the Manager Performance, Internal Audit, Risk Management also reports directly to the Municipal Manager.

The structure is outlined in the table below:

Name of Official	Directorate	Period	Performance agreement signed
			Yes/No
Johnny Douglas	Municipal Manager	1 January 2007 - 12 August 2011	Yes
Grant Easton	Director Financial Services (CFO)	1 February 2003 - Currently	Yes
Reginald Smit	Director Corporate Services	1 January 2008 - Currently	Yes
Lauren Waring	Director Planning and Development	1 July 2006 - Currently	Yes

Name of Official	Directorate	Period	Performance agreement signed
			Yes/No
Charl Botha	Director Community Services	1 November 2008 - Currently	Yes
Neale Perring	Director Technical Services	1 May 2006 -31 January 2011	Yes
Emmanuel Myalato	Director Technical Services	1 April 2011 - Currently	Yes
Thomas Paremoer	Acting Director Strategic Services	1 July 2010 - 12 December 2010	N/A
Len Richardson	Electro-Technical Engineer	1 May 1983 - Currently	N/A
Walter McCartney	Manager Performance, Internal Audit and Risk Management	15 August 1988 - Currently	N/A

Chapter 2 – Table 8: Administrative Governance Structure

2.3 PUBLIC ACCOUNTABILITY

Knysna Municipalities accepts its responsibility to be answerable for its fiscal and social responsibilities, to all stake holders. The following mechanisms are utilised to ensure regular communication of matters which affect the municipality as well as all relevant stake holders:

2.3.1 WARD COMMITTEES

¹The Local Government: Municipal Structures Act, 1998, establishes the rules for ward committees. Section 72(3) provides us with some guidance of what the role of ward committees is:

"The object of a ward committee is to enhance participatory democracy in local government".

2.3.2 FUNCTIONALITY OF WARD COMMITTEE

Ward Committees have proven to be tremendously difficult to establish and maintain. As can be seen from the table below Knysna Municipality has not had satisfactory results during the past few years there are various reasons for this as stated below.

- Weak sectors
- High rate of absenteeism
- Lack of interest
- Political in-fights

The table below provides information on the establishment of Ward Committees and their functionality:

Ward Number	Committee established Yes/No	Committee functioning effectively Yes/No	Actions to address
1	Yes	Yes	It is intended that new ward committees will be established by September 2011
2	Yes	Yes	
3	Yes	Yes	
4	No	No	

¹ Ward Committees (DPLG) ISBN: 0-621-35467-8

Ward Number	Committee established Yes/No	Committee functioning effectively Yes/No	Actions to address
5	Yes	Yes	
6	Yes	Dissolved	
7	No	No	
8	No	No	

Chapter 2 – Table 9: Functioning of Ward Committees

2.3.3 REPRESENTATIVE FORUMS

A) IDP FORUM

Name of representative	Capacity	Meeting dates
J Pheiffer	Dept of Land Affairs	22 September 2010 18 November 2010
P Africa	Dept of Correctional Service	
H Nehemia	Dept of Correctional Service	
M Skosana	Dept of Social Development	
S Kobese	Dept of Water Affairs and Forestry	
D Wewers	SASSA	
P McDaid	WESSA	
N Michaels	Community SAPS	
M Bezuidenhout	Child Welfare (Knysna)	
M Blaauw	Ward Committee (Ward 1)	
Trevor Holmes	Ward Committee (Ward 5)	
G Lewis	Member	
A Schurtz	Knysna Resident	
T Twiddle	Publication- Freelance	
L Hart	Sedgefield Ratepayers Association	

Chapter 2 – Table 10: IDP Forum

2.4 CORPORATE GOVERNANCE

Municipalities are tasked with simultaneously reaching economic and social objectives, as well as increasing the efficiency and effectiveness of their operations. Corporate governance is not solely about management but also about addressing the ever changing nature and role of municipalities and how to best face such changes.

2.4.1 ANTI-CORRUPTION AND ANTI-FRAUD

The approved Anti-Fraud and Corruption Strategy document makes the following statement *"its diverse range and nature of services and activities put the municipality at risk of fraud and corruption, from both internal*

and external sources."To address this statement the policy will have to be elevated off paper and be put into practice. It would be naive to assume that once a policy is in place the issues have been addressed.

To give effect to the statement above Council approved the creation of an Anti-corruption Committee in line with CoGTA guidelines.

A) DEVELOPED STRATEGIES

Name of strategy	Developed Yes/No	Date Adopted
Anti-corruption strategy	Yes	11 December 2008
Fraud prevention strategy	Yes	11 December 2008

Chapter 2 – Table 11: Strategies

2.4.2 AUDIT COMMITTEE

The Knysna Audit Committee, appointed in terms of Section 166 of the MFMA, has also been appointed as the Performance Audit Committee.

A) FUNCTIONS OF THE AUDIT COMMITTEE

The functions and duties of the Audit Committee are stipulated in the Audit Committee Charter, which is reviewed annually.

B) MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
Adv. Barrell, R	Chairperson	23 August 2010, 20 September 2010, 18 October 2010, 22 November 2010, 6 January 2011, 28 January 2011 (Oversight), 2 March 2011, 11 April 2011, 6 June 2011 and 27 June 2011
Mr. Metelerkamp, N	Member	
Ms. Muller, D	Member	
Mr. Bastian, P J	Member	

Chapter 2 – Table 12: Members of the Audit Committee

2.4.3 INTERNAL AUDITING

Knysna Municipality's internal audit function has been outsourced to MeyerOtto Incorporated for the period 2011-2013.

Church Corner, Second Floor,
Corner Courtenay- & Kerk Street,
PO Box 1195,
George,
Western Cape,
South Africa
6530

Annual Audit Plan

The Risk Based Audit Plan for 2010/11 was implemented in accordance with available resources. In accordance with the prioritised cycle approach, high-risk areas are being addressed first and more frequently over a three year cycle. Areas not completed were transferred to the rolling Three-Year Strategic Internal Audit Plan (2011 – 2014) to ensure complete coverage over the period, with High Risk Areas audited every year, Medium Risk Areas covered twice in a three year period and Low Risk Areas covered once in a three year period.

The table below provides detail on audits completed:

Description		No of Hours/or no of days	Date completed	
Phase 1				
Revisiting current risk profile and priorities		5 days	March 2011	
Pro Audit Process Inputs			March 2011	
Phase 2				
Compiling Risk Based Audit Plan		2 days	March 2011	
Phase 3				
Audit Engagement	Departmental System	Detail	No of Hours	Date completed
Finance	Financial Services	Revenue (including also Debtors & Credit Control)	72	May 2011
		Policies & Procedures	64	June 2011
		Grants	56	June 2011
		Expenditure & Supply Chain Management	72	June 2011
		Leases	40	Transferred to Rolling 3-year Strategic Plan (2011 – 2014)
Corporate Services	Human Resources	Recruitment and Selection	64	June 2011
	Records	Administration	40	Transferred to Rolling 3-year Strategic Plan (2011 – 2014)
Performance Information	Governance	Performance Bonuses	160	June 2011
		Performance Management System		
		Performance Information		
		Reporting of Performance Information		
Technical Services	Infrastructure Management	Infrastructure Management	48	Transferred to Rolling 3-year Strategic Plan (2011 – 2014)
Planning & Development	Housing	Administration of Transfer Process: Housing Schemes	48	Transferred to Rolling 3-year Strategic Plan



Description		No of Hours/or no of days	Date completed
	Waiting lists	40	(2011 – 2014)
	Building Control & Town Planning	64	Transferred to Rolling 3-year Strategic Plan (2011 – 2014)
Planning, Reporting & Project Management		130	30 June 2011
Follow up Audits (Auditor-General Findings)		80	30 June 2011
Total Hours/ No of days		978	

Chapter 2 – Table 13: Internal Audit Coverage Plan

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Risk analysis completed/reviewed	March 2011
Risk based audit plan approved for 2010/11 financial year	March 2011
Internal audit programme drafted and approved	April 2011
Number of audits conducted and reported on	5
Audit reports included the following key focus areas:	
➤ <i>Internal controls</i>	
➤ <i>Accounting procedures and practices</i>	
➤ <i>Risk and risk management</i>	
➤ <i>Performance management</i>	
➤ <i>Loss control</i>	
➤ <i>Compliance with the MFMA and other legislation</i>	

Chapter 2 – Table 14: Internal Audit Functions

2.4.4 AUDITOR GENERAL

The Municipality was audited by the Auditor-General of South Africa in terms of section 188 of the Constitution and section 4 of the Public Audit Act and section 126 of the MFMA and the audit report for the financial year under review is in Annexure B of this report.

2.4.5 BY-LAWS AND POLICIES

Section 11 of the MSA gives municipal Councils the executive and legislative authority to pass and implement by-laws and policies.

Below is a list of all the by-laws developed and reviewed during the financial year:

By-laws developed/revised	Date adopted	Public Participation Conducted Prior to adoption of By-Laws Yes/No	Date of Publication
Stormwater Management (Revised)	29 February 2008	No	-
Sporting Facilities (Revised)	29 February 2008	No	-

By-laws developed/revised	Date adopted	Public Participation Conducted Prior to adoption of By-Laws Yes/No	Date of Publication
Fences and Fencing (Revised)	29 February 2008	No	-
Keeping of Dogs (Revised)	8 July 2005	No	-

Chapter 2 – Table 15: By-laws

Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/revised	Date adopted	Public Participation Conducted Prior to adoption of policy (Yes/No)
Credit Control	20 April 2010	Yes (Part of budget process)
Delegation Register	20 April 2010	N/A
Early Childhood Development Centre	20 April 2010	Yes
Funding and Reserves Policy	20 April 2010	Yes (Part of budget process)
Indigent Support and Social Rebate Policy and Procedures	20 April 2010	Yes (Part of budget process)
Liability, Investment and Cash Management	20 April 2010	Yes (Part of budget process)
Property Rates	20 April 2010	Yes (Part of budget process)
Supply Chain Management	20 April 2010	Yes (Part of budget process)
Tariff	20 April 2010	Yes (Part of budget process)
Virement	20 April 2010	Yes (Part of budget process)

Chapter 2 – Table 16: Policies

2.4.6 COMMUNICATION

Public participation is of critical importance to governance and effective delivery in the municipal area. The Knysna Municipality developed a communication strategy including systems to communicate with all its stakeholders. The Municipality held regular engagements with local communities and ensured that their inputs were taken into account. Public events during the year under review were participative and informative.

The communication strategy of the municipality has the following objectives:

- Deliver high standards of communication and information provision through regular communication with municipal staff, local residents, decision makers, stakeholders and its partners.
- Ensure that the communication process is accessible, open and transparent while enabling the Municipality to obtain information which informs its decisions, policies, plans and activities.
- Empower local communities by keeping them informed about local government issues and how they can participate in these processes.
- Improve and encourage good media relations.
- Promote and encourage intergovernmental relations.
- Establish a comprehensive diary of events for the municipality.

- Promote a clear understanding of the Municipality's vision, aims and objectives.
- Provide a framework wherein communities have the opportunity to contribute to the decision making process

Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Communication unit	No: All communication is outsourced to a local service provider, with a full-time employee based in the Municipality
Communication Strategy	Yes
Communication Policy	Yes
Customer satisfaction surveys	No
Functional complaint management systems	Will commence installation for whole organization in 2011-2012
Newsletters distributed at least quarterly	Yes

Chapter 2 – Table 17: Communication Activities

2.4.7 WEBSITE

Section 75 of the MFMA requires certain documentation to be placed on municipal websites. Although every effort is made to comply with the requirement, problems are regularly experienced due to factors such as.

- Cost of technology
- Size and format of documentation
- Insufficient guidelines from provincial and National government

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Documents published on the Municipal website	Date Published
Current annual and adjustments budgets and all budget-related documents	20 April 2011
All current budget implementation policies	20 April 2011
◦ Tariff policy	20 April 2011
◦ Credit control policy	20 April 2011
◦ Valuation policy	20 April 2011
◦ SCM policy	20 April 2011
Annual report (09/10)	12 April 2011
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2010/11	29 July 2010
Information statement containing a list of assets over a prescribed that have been disposed of in terms of section 14 (2) or (4) of the MFMA during 2010/11	10 November 2010

Chapter 2 – Table 18: Website Checklist



CHAPTER 3: ORGANISATIONAL DEVELOPMENT PERFORMANCE

3.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organisational Development.

KPA & Indicators	Municipal Achievement		
	2008/09	2009/10	2010/11
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	3	3	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.64%	0.58%	0.60%

Chapter 3 – Table 1: National – Municipal Transformation and Organisational Development

3.2 PERFORMANCE HIGHLIGHTS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Highlight	Description
Scarce Skills	The first local bursary student started working in the municipality as a Town Planner in 2010. The other six students will complete their studies in 2012.
	Two general workers have been career pathed to address the shortage of electricians in the municipality. They have now qualified as special workmen which is one level below a qualified electrician.

Chapter 3 – Table 2: Performance Highlights– Municipal Transformation and Organisational Development

3.3 CHALLENGES – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Challenge	Actions to address
Attracting Scarce skills	Knysna municipality creates a local pool of scarce skills by offering bursaries to local students.

Chapter 3 – Table 3: Challenges – Municipal Transformation and Organisational Development

3.4 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs 643 (excluding non-permanent positions) which constitutes 71.4% of the approved organogram.

3.4.1 EMPLOYMENT EQUITY

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

A) EMPLOYMENT EQUITY TARGETS/ACTUAL

African			Coloured			Indian			White		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
257	245	95%	300	319	106%	2	0	0%	95	79	83%

Chapter 3 – Table 4: 2010/11 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
450	490	109%	192	148	77%	10	5	50%

Chapter 3 – Table 5: 2010/11 EE targets/actual by gender classification

B) EMPLOYMENT EQUITY VS. POPULATION

Description	African	Coloured	Indian	White	Total
Population numbers (2007)	22,765	28,814	260	13,204	65,043
% Population	35.0	44.3	0.4	20.3	100
Number for positions filled	245	319	-	79	643
% for Positions filled	38	50	-	12	100

Chapter 3 – Table 6: EE population 2010/11

c) OCCUPATIONAL CATEGORIES - RACE

Below is a table that indicates the number of employees by race within the specific occupational categories:

Posts filled									
Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	6	10	-	9	-	1	-	4	30
Professionals	9	15	-	8	6	8	-	14	60
Technicians and associate professionals	-	4	-	1	-	-	-	-	5
Clerks	26	54	-	9	20	40	-	18	167
Service and sales workers	7	18	-	2	1	2	-	-	30
Craft and related trades workers	7	10	-	10	-	-	-	-	27
Plant and machine operators and assemblers	14	20	-	-	2	-	-	-	36
Elementary occupations	131	121	-	4	16	16	-	-	288
Total permanent	200	252		43	45	67	-	36	643
Non- permanent	97	55	-	2	18	39	-	2	213
Grand total	297	307		45	63	106		38	856

Chapter 3 – Table 7: Occupational Categories

d) OCCUPATIONAL LEVELS - RACE

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	1	3	-	1	-	-	-	1	6
Senior management	5	7	-	8	-	1	-	3	24
Professionally qualified and experienced specialists and mid- management	9	15	-	8	6	8	-	14	60
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	17	27	-	16	1	1	-	2	64
Semi-skilled and discretionary decision making	37	79	-	6	22	41	-	16	201
Unskilled and defined decision making	131	121	-	4	16	16	-	-	288
Total permanent	200	252	-	43	45	67	-	36	643
Non- permanent employees	97	55	-	2	18	39	-	2	213
Grand total	297	307	-	45	63	106	-	38	856

Chapter 3 – Table 8: Occupational Levels

E) DEPARTMENTS - RACE

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	-	1	-	1	1	-	-	1	4
Management Services	5	7	-	2	4	8	-	3	29
Financial Services	4	19	-	7	9	11	-	20	70
Community Services	86	83	-	9	20	25	-	7	230
Protection Services	9	20	-	4	1	2	-	-	36
Infrastructure and Planning Services	95	121	-	20	9	20	-	5	270
Economic Development Services	1	1	-	-	1	1	-	-	4
Total permanent	200	252	-	43	45	67	-	36	643
Non- permanent	97	55	-	2	18	39	-	2	213
Grand total	297	307	-	45	63	106	-	38	856

Chapter 3 – Table 9: Department - Race

3.4.2 VACANCY RATE

The approved organogram for the municipality had 900 posts for the 2010/11 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 257 posts were vacant at the end of 2010/11, resulting in a vacancy rate of **28.6%**.

Below is a table that indicates the vacancies within the municipality:

PER POST LEVEL		
Post level	Filled	Vacant
MM &MSA section 57 & 56	6	0
Middle management	60	51
Admin Officers	289	49
General Workers	288	157
Total	643	257
PER FUNCTIONAL LEVEL		
Functional area/ Directorate	Filled	Vacant
Municipal Manager	4	3
Corporate Services	29	9
Financial Services	70	25
Planning and Development Services	37	13
Electrical Services	39	18
Community Services	266	35
Technical Services	198	154
Total	643	257

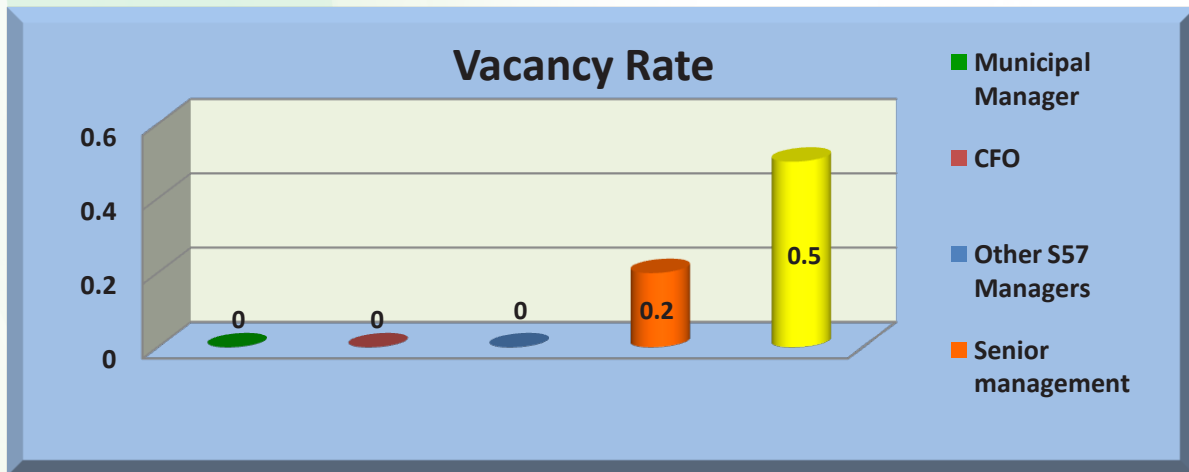
Chapter 3 – Table 10: Vacancy rate per post and functional level

The table below indicates the number of staff per level expressed as total positions and current vacancies express as full time staff equivalents:

Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	–	1	–	–
Chief Financial Officer	–	1	–	–
Other Section 57 Managers	–	4	–	–
Senior management	6	30	Managers: LED, Sport, IT, Communication, Special Projects, Senior Manager in the Office of the Municipal Manager	20%
Highly skilled supervision	30	60	Accountants, Librarians, Technicians, Legal, Engineers	50%
Total	36	96		37.5%

Chapter 3 – Table 11: Vacancy rate per salary level

The following graph specifies the vacancy rate as a percentage per salary level



Chapter 3 – Graph 1: Vacancy rate

3.4.3 TURNOVER RATE

Below is a table that shows the turnover rate within the municipality. The turnover rate shows an **increase** from 4.9% in 2009/10 to 8.2% in 2010/11.

The table below indicates the turn-over rate over the last three years:

Financial year	Total no of staff at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2008/09	601	32	43	6.8%
2009/10	618	34	31	4.9%
2010/11	633	68	53	8.2%

Chapter 3 – Table 12: Turnover Rate

3.5 MANAGING THE MUNICIPAL WORKFORCE

3.5.1 INJURIES

Knysna Municipality is committed to ensuring a safe and healthy environment for its employees. Occupational and Safety Committee meets bi-monthly to ensure that occupational health and safety risks are identified and mitigated. This was done through a municipal wide occupational health and safety audit. All departments of the municipality are represented in the committee.

All these efforts resulted in a slight decrease for the 2010/11 financial year from **56** employees injured against **60** employees in the 2009/10 financial year.

The table below indicates the total number of injuries within the different directorates:

Directorate	2008/09	2009/10	2010/11
Corporate Services	0	1	4
Community Services	22	36	31
Financial Services	3	9	8
Electro- Technical Services	4	3	3
Planning and Development	0	0	1
Technical Services	9	11	9
Municipal Manager	0	0	0
Total	38	60	56

Chapter 3 – Table 13: Injuries

3.5.2 SICK LEAVE

The total number of employees that have taken sick leave during the 2010/11 financial year shows an increase of 8% of when comparing it with the 2009/10 financial year.



The table below indicates the total number sick leave days taken within the different directorates:

Directorate	2008/09	2009/10	2010/11
Municipal Manager	4	-	3
Corporate Services	94	85	79
Financial Services	373	340	550
Community Services	1,568	1,810	1,127
Electro-Technical Services	212	196	279
Planning and Development	167	230	831
Total	2,418	2,661	2,869

Chapter 3 – Table 14: Sick Leave

3.5.3 HR POLICIES AND PLANS

Knysna Municipality has a comprehensive set of Human Resource policies which regulate the implementation of human resource practices in the municipality. Having policies ensures consistency and objectivity when dealing with HR related matters. HR policies are regularly reviewed to ensure that they are up to date with developments in the HR field.

The table below shows the HR policies and plans that are approved and those that still needs to be developed:

Approved policies		
Name of policy		Date approved/ revised
1.	Recruitment and Selection Policy	2009
2.	Travelling and Subsistence Policy	2009
3.	Training and Development Policy	2006
4.	Internship and Experiential Policy	2006
5.	Staff Bursary Policy	2007
6.	External Bursary Policy	2007
7.	Overtime Policy	2007
8.	Acting Policy	2006
9.	Employee Assistance Programme Policy	2006
10.	HIV/AIDS Policy	2009
11.	Cellular Telephone Policy	2010
12.	Employment Equity Policy	2004
Policies still to be developed		
Name of policy		Proposed date of approval
Leave Policy		2012
Housing Allowance/subsidy Policy		2012
Scarce Skills Policy		2012
Protecting Clothing Policy		2012

Chapter 3 – Table 15: HR policies and plans

3.5.4 EMPLOYEE PERFORMANCE REWARDS

Performance rewards are currently paid to the Municipal Manager, Section 56 Managers and heads of departments who are appointed on fixed contract. Individual Performance Management System is cascaded down to the second reporting line of managers. Performance rewards will be considered when IPMS is implemented. Performance rewards are paid after the approval of the annual report. By June 2011 no Section 56 Managers employee was paid performance bonus for the 2010-2011 financial year.

The table below shows the total number of S57 that receive performance rewards:

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
African	Female	-	-	-
	Male	-	-	-
Asian	Female	-	-	-
	Male	-	-	-
Coloured	Female	-	-	-
	Male	3	3	100%
White	Female	1	1	100%
	Male	2	2	100%
Disability	Female	-	-	-
	Male	-	-	-
Total		6	6	100%

Chapter 3 – Table 16: Performance Rewards

3.6 CAPACITATING THE MUNICIPAL WORKFORCE

Knysna Municipality acknowledges the fact that it is only through a skilled workforce that it can meet its service delivery mandate to its communities. Employees at all levels have attended training to improve work performance. The municipality's Training and Development Committee monitors and approves the Workplace Skills Plan and monitors its implementation.

3.6.1 SKILLS MATRIX

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	1	1
	Male	5	5
Legislators, senior officials and managers	Female	4	2
	Male	22	7
Associate professionals and Technicians	Female	10	28
	Male	28	11
Professionals	Female	9	10
	Male	12	12
Clerks	Female	15	21
	Male	14	23
Service and sales workers	Female	–	–
	Male	–	–
Craft and related trade workers	Female	–	–
	Male	–	–
Plant and machine operators and assemblers	Female	0	0
	Male	14	30
Elementary occupations	Female	35	36
	Male	93	121
Sub total	Female	74	98
	Male	188	209
Total		262	307

Chapter 3 – Table 17: Skills Matrix

3.6.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

Knysna Municipality provides different types of training to ensure that all training programmes are relevant and achieve set objectives.

Occupational categories	Gender	Number of employees as at the beginning of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Required	Variance
MM and S57	Female	1	1	1	0	0	1	1	0
	Male	5	5	5	0	0	5	5	0
Legislators, senior officials and managers	Female	8	6	8	2	0	8	8	0
	Male	22	17	22	2	0	19	22	(3)

Occupational categories	Gender	Number of employees as at the beginning of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Required	Variance
Professionals	Female	28	6	2	-	-	6	2	4
	Male	32	6	0	3	3	9	3	6
Technicians and associate professionals	Female	-	-	-	-	-	-	-	-
	Male	5	-	-	-	-	-	-	-
Clerks	Female	78	5	15	21	15	26	30	4
	Male	89	3	14	23	14	26	28	2
Service and sales workers	Female	3	-	-	-	-	-	-	-
	Male	27	-	-	-	-	-	-	-
Craft and related trade workers	Female	-	-	-	-	-	-	-	-
	Male	27	-	-	-	-	-	-	-
Plant and machine operators and assemblers	Female	2	-	-	-	-	-	-	-
	Male	34	4	8	30	14	34	22	(12)
Elementary occupations	Female	32	9	15	-	-	9	15	6
	Male	252	29	20	-	-	29	20	(9)
Sub total	Female	152	27	41	23	15	50	56	6
	Male	493	64	69	58	31	122	100	(22)
Total		645		110	81	46	172	156	(16)

Chapter 3 – Table 18: Skills Development

3.6.3 SKILLS DEVELOPMENT - BUDGET ALLOCATION

The table below indicates that a total amount of R1,070,000 was allocated to the workplace skills plan and that 93% of the total amount was spent in the 2010/11 financial year:

Total personnel budget	Total Allocated	Total Spend	Spend %
R'000	R'000	R'000	
128,006	1,070	998	93

Chapter 3 – Table 19: Budget allocated and spent for skills development

3.7 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

The appointment of new staff to fill vacant posts is closely linked to the municipal cash flow. During the past few financial years vacant budgeted posts have been placed on hold till such time as Council's cash flow allows for the filling of the targeted posts.

3.7.1 PERSONNEL EXPENDITURE

The table below indicates the percentage of municipal expenditure spent on salaries and allowance for the past three financial years and that the municipality is below the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage(%)
	R'000	R'000	
2008/09	100,602	327,208	30,7
2009/10	113,922	376,096	30,3
2010/11	128,382	427,347	30.0

Chapter 3 – Table 20: Personnel Expenditure

Below is a summary of Councilor and staff benefits for the year under review:

Financial year	2006/7	2007/8	2008/9	2009/10	2010/11		
Description	Actual	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
Councillors (Political Office Bearers plus Other)							
Salary	2,540	2,296	2,542	2,737	3,317	2,734	2,933
Pension Contributions	172	136	151	164	188	188	171
Medical Aid Contributions	49	54	55	56	0	0	63
Motor vehicle allowance	951	864	953	1,022	1,247	1,050	1,093
Cell phone allowance	159	171	188	203	251	251	218
Housing allowance	48	111	120	120	129	129	110
Other benefits or allowances	2	0	0	0	0	0	0
In-kind benefits	0	0	0	0	0	0	0
Sub Total	3,921	3,632	4,009	4,302	5,132	4,352	4,588
% (decrease)/increase		(7)	10	7	19	(15)	5
Senior Managers of the Municipality							
Salary	3,008	3,567	4,483	4,744	5,111	5,111	5,223
Pension and Medical Aid Contributions	609	361	681	743	898	898	725
Motor vehicle allowance	492	382	530	466	641	641	445
Cell phone allowance	0	57	82	74	75	75	72
Housing allowance	0	7	9	6	6	6	3
Performance Bonus	305	557	539	485	1,009	1,009	605

Financial year	2006/7	2007/8	2008/9	2009/10	2010/11		
Description	Actual	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
Leave paid out (retired)	0	0	32	0	0	0	184
Long Service Award	0	0	0	63	0	0	0
Other benefits or allowances	0	0	0	0	0	0	0
In-kind benefits	0	0	0	0	0	0	0
Sub Total	4,414	4,931	6,356	6,581	7,739	7,739	7,257
% (decrease)/increase		11	29	1	21	0	(10)
Other Municipal Staff							
Basic Salaries and Wages	42,628	48,172	56,251	62,920	72,067	67,379	72,219
Bonus	2,532	3,533	4,017	4,451	4,959	4,193	4,878
Pension and Medical Aid Contributions	13,767	15,077	17,164	20,621	18,563	17,680	21,024
Motor vehicle and other allowances	4,120	4,102	3,719	6,293	5,487	5,672	5,850
Housing allowance	943	1,138	1,332	1,296	1,495	1,466	1,347
Overtime	3,746	3,891	4,228	4,122	4,617	5,945	5,082
Contributions and Provisions	39,226	6,938	7,928	8,626	10,825	10,830	8,546
Sub Total	106,962	82,851	94,639	108,329	118,013	113,165	118,946
% (decrease)/increase		(23)	14	14	9	(4)	5
Total Municipality	115,297	91,414	105,004	118,517	130,884	125,256	130,791
% (decrease)/increase		(21)	15	14	10	(4)	4

Chapter 3 – Table 21: Personnel Expenditure

Chapter 4
Strategic Performance



CHAPTER 4: STRATEGIC PERFORMANCE

This chapter provides information on the strategic performance of the municipality and indicates how well the municipality is meeting its objectives and which policies and processes are working, or not. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This chapter speaks to the strategic performance highlights in terms of the Municipality's IDP, performance on basic service delivery and backlogs addressed the MIG projects as well as the spending priorities for the following year. It addresses the communication and public participation processes of the Municipality to give a holistic view of how the Municipality communicates performance to its stakeholders.

The Municipal Systems Act, 2000 (Act 32 of 2000) and the Local Government: Municipal Planning and the Performance Management Regulations 2001 require municipalities to adopt a performance management system. Once the IDP and budget have been prepared and approved, the Municipality prepared their Service Delivery and Budget Implementation Plan (SDBIP) in accordance with the MFMA and MFMA Circular 13. The SDBIP indicates monthly performance targets, financial performance targets and assigns responsibility to execute the respective performance targets. The Municipality assessed its performance on a monthly basis and reported progress on performance against targets set to Council quarterly and ultimately presents the annual performance results in this annual report.

The strategy map below specifies the strategic link of the focus areas of the municipality aligned with the National Key Performance Areas. The National Key Performance Areas is aligned with the Strategic Objectives that were identified in the 2010/11 reviewed IDP. The strategic objectives are linked to the outcomes for 2010/11. These alignments are directly link to the municipality's vision and mission.

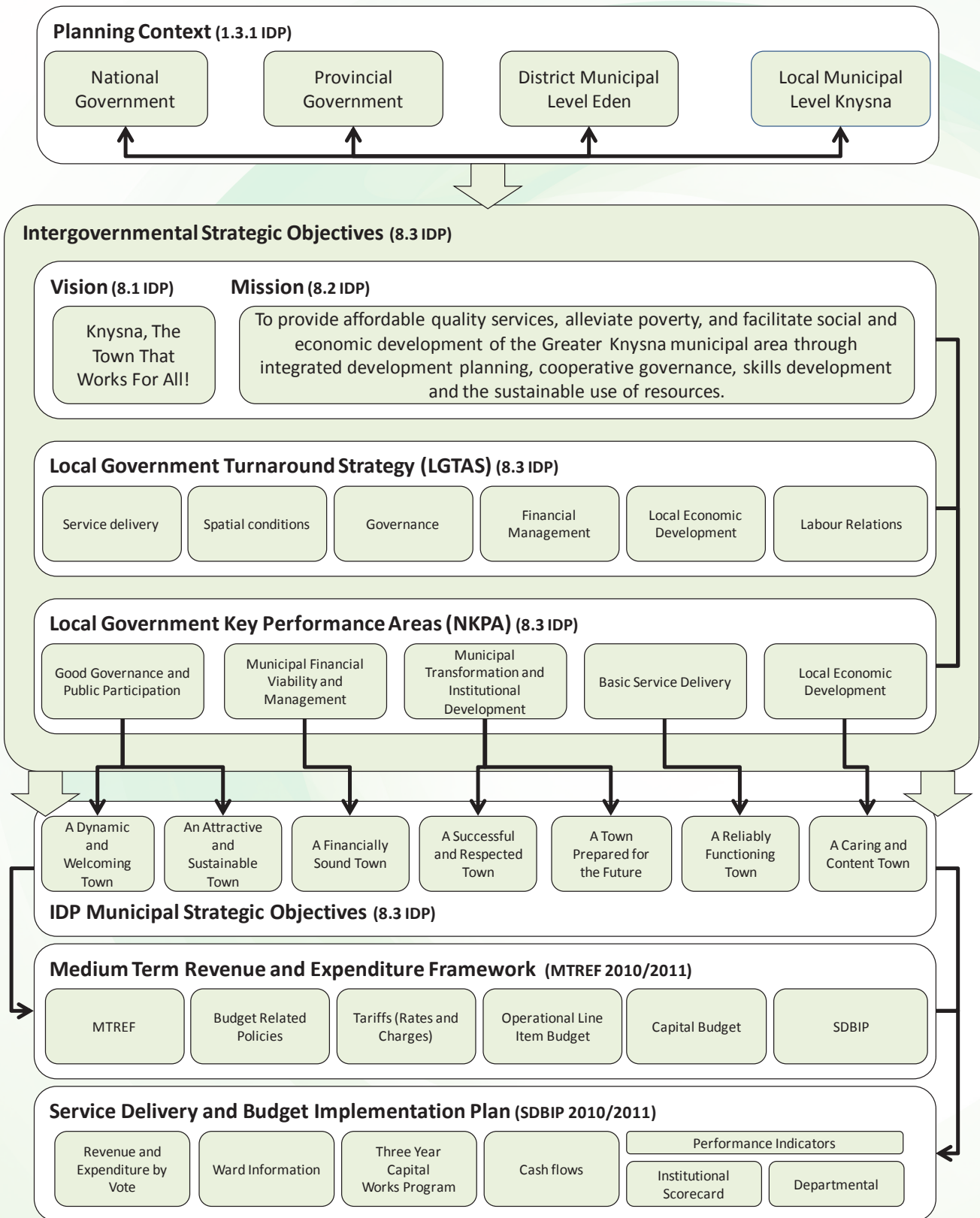


Figure 2: Strategy Map

4.1 NATIONAL KEY PERFORMANCE INDICATORS – BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the following two National Key Performance Areas: Basic Service Delivery and Local Economic Development.

KPA & Indicators	Municipal Achievement		
	2008/09	2009/10	2010/11
Basic Service Delivery			
Social rebate earnings amount per household per month	2,000	2,500	2,500
(a) The percentage of households earning less than the approved social rebate amount with access to free basic services	100%	100%	100%
(b) The percentage of households with access to basic level of water	100%	100%	100%
(c) The percentage of households with access to basic level of sanitation	100%	100%	100%
(d) The percentage of formal households with access to basic level of electricity	90%	90%	98%
(e) The percentage of households with access to basic level of solid waste removal	100%	100%	100%
Local Economic Development			
The number of jobs opportunities created through municipality's local economic development initiatives including capital projects	No data	9,576	2,344: 1,723: Refuse 587: Technical 34: Halls

Chapter 4 – Table 1: National – Basic Service Delivery and Local Economic Development

4.2 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LEVEL)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section provides an overview on the strategic achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The top level (strategic) SDBIP is the municipality's strategic plan and shows the strategic alignment between the different documents. (IDP, Budget and Performance Agreements) The municipality compiled a top layer SDBIP for the first time in the 2010/11 financial year.

In the paragraphs below the performance achieved is illustrated against the top layer SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP (strategic) Objectives.



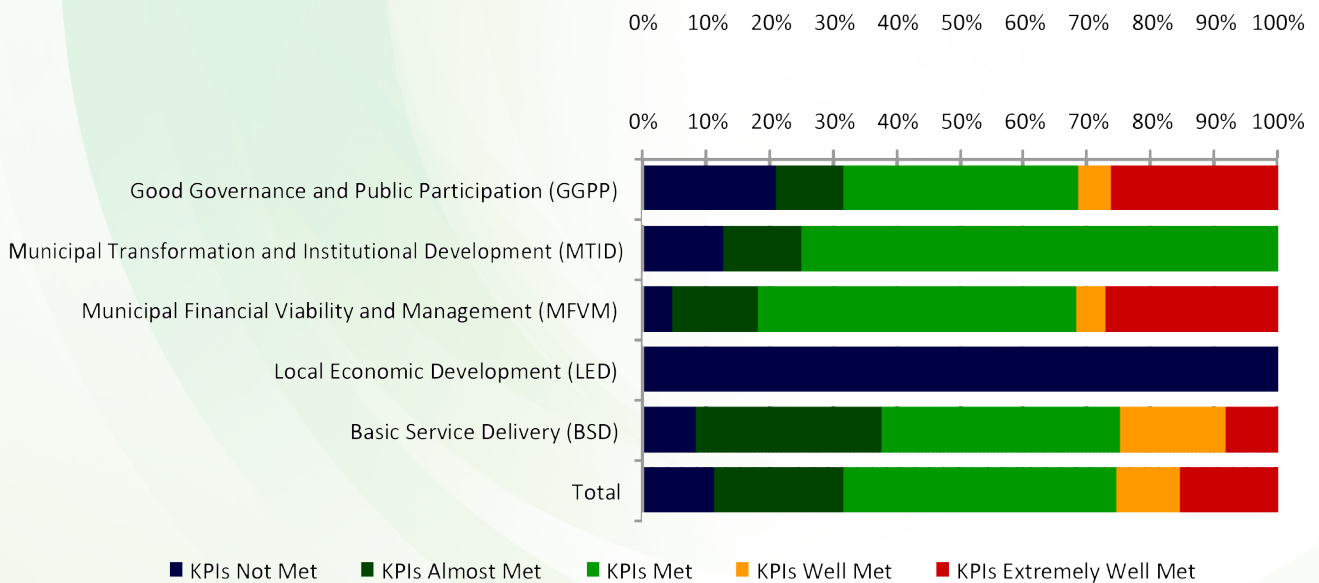
The following table illustrates the method in which the strategic service delivery budget implementation plan is measured:

Category	Colour	Explanation
KPIs Not Met	Red	0% >= Actual/Target < 75%
KPIs Almost Met	Orange	75% >= Actual/Target < 100%
KPIs Met	Green	Actual/Target = 100%
KPIs Well Met	Dark Green	100% > Actual/Target < 150%
KPIs Extremely Well Met	Dark Blue	Actual/Target >= 150%

Figure 3: SDBIP measurement categories

Below is the top level SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP (strategic) Objectives.

National Key Performance Areas	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs Almost Met	KPIs Not Met	Total
Good Governance and Public Participation (GGPP)	3	3	11	1	1	19
Municipal Transformation and Institutional Development (MTID)	1	1	5	0	1	8
Municipal Financial Viability and Management (MFVM)	3	7	11	1	0	22
Local Economic Development (LED)	1	0	0	0	0	1
Basic Service Delivery (BSD)	4	14	17	8	5	48
Total	12	25	44	10	7	98



Chapter 4 – Graph 1: Performance per National Key Performance Area

4.2.1 TOP LEVEL SDBIP - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The National Key Performance Area Good Governance and Public Participation are linked to the Municipal Key Performance Area namely Good Governance and Public Participation. The IDP Objective that is linked to Good Governance and Public Participation is: "A Dynamic and Welcoming Town".

KPI	Unit of Measurement	Baseline	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
SDBIP approval and reviews	SDBIP approved within 28 days after budget	1	1	1	1	2	(1) Top Level approved with the budget 20 April 2011. (2) Signed off by Mayor 28 June 2011	n/a
Improved good governance (anti-corruption policy)	Develop an Anti-corruption policy by end June	1	New PI	New Pi	1	1	n/a	n/a
Institutional Performance management system in place	No of performance agreements signed on time	6	7	7	6	6	n/a	n/a
Annual performance reporting	Annual report and oversight report of council submitted before legislative deadline	1	1	1	1	1	n/a	n/a
Functional performance audit committee	No of meetings of the performance audit committee	4	9	10	8	10	23 August, 20 September, 18 October, 22 November, 6 January, 28 January (Oversight), 2 March, 11 April, 6 June and 27 June	n/a
Risk based audit plan	Develop and submit audit plan for approval	100%	100%	100%	100%	100%	n/a	n/a
Effective functioning of council	No of council meetings	4	7	10	4	11	29 July, 30 September, 08 October (Special) , 07 December, 17 December (Special), 25 January, 25 February (Special), 17 March, 20 April, 31 May (Inaugural) and 15 June	n/a
Effective functioning of committee system	No of sec 80 committee meetings per annum	37	33	33	29	29	n/a	n/a
Municipality complying with all relevant legislation	% compliance with legislation	70%	New PI	New PI	70%	80%	This PI cannot be accurately measured as there are too many Acts/Regulations to be a 100% certain that there is no non-compliance.	n/a

KPI	Unit of Measurement	Baseline	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Effective communication with communities	Development or review of communication policy	0	New PI	New PI	1	1	n/a	n/a
Effective functioning of ward committees	No of ward committee meetings per ward per annum	32	54	14	24	16	PI problematic as the achievement of the target is reliant on external parties. Meetings not held due to elections in May	Advertisements for new ward committees have been placed and they will be in place by September 2011
Institutional Performance management system in place	Individual performance management system implemented up to the lowest level (Level 7 (Old) 11(TASK))	30%	New PI	New PI	100%	100%	n/a	n/a
Reaching of employment equity targets	% of targets reached	70%	100%	100%	100%	100%	n/a	n/a
Creation of effective capacity	% Vacancy level as % of approved organogram	76% of approved organogram	New PI	New PI	76%	71%	See chapter three of the Annual Report. Conditional on budget availability	None, actual is in the (10%) range between 68% and 84% which is considered as the norm.
Approval of Main budget	Completion of draft Operating and Capital Budget and formal submission to Council by 31 May	100%	100%	100%	100%	300%	(1) Draft budget tabled at Council on 17 March (due date 31 March) 2011 (2&3) Budget approved by Council on 20 April (due date 31 May)	n/a
Approval of adjustments budget	Approval of adjustments budget before legislative deadline	100%	100%	100%	100%	100%	n/a	n/a
Reviewed IDP	IDP reviewed by March Annually	1	1	1	1	1	n/a	n/a
IDP endorsed by all wards	No of ward committees endorsing IDP	8	8	8	8	8	n/a	n/a
Number of Sport Forum meetings	Tightening of the institutional set up for effective liaison on sport and cultural issues	6	4	30	6	8	Meetings with Eden, Karatara and Rheenendal	n/a

Chapter 4 – Table 2: Top Level SDBIP – Good Governance and Public Participation

4.2.2 TOP LEVEL SDBIP - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

The National Key Performance Area Municipal Transformation and Institutional Development are linked to the Municipal Key Performance Area namely Municipal Transformation and Institutional Development. The IDP Objectives linked to Municipal Transformation and Institutional Development are: "A *Successful and Respected Town*" and "A *Financially Sound Town*".

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Effective labour relations	No of meetings of the LLF	12	New PI	New PI	12	7	PI problematic as the achievement of the target is reliant on external parties.	New LLF established by Council
Effective and up to date HR policies	Revision of all HR policies annually by March	0	100%	100%	100%	100%	n/a	n/a
Targeted skills development	% Implementation of skills development plan	80	New PI	New PI	80%	100%	Skills plan for 2010/11 fully implemented	n/a
Targeted skills development	The percentage of budget spent on implementing its workplace skills plan	0	100	83%	100%	100%	n/a	n/a
Effective and up to date By-laws	No of By-laws revised annually	4	3	5	4	4	n/a	n/a
Spatial Development Plan assessed in terms of BESP	Final Assessment report concluded by BESP task team	1 Assessment	New PI	New PI	1	10	Only Local Authority in the pilot which had both a Council approved SDF and Human Settlement Strategy. This, along with the continued commitment of the officials, ensured that the finalisation of the report well ahead of time.	n/a
Reviewed Disaster Management Framework/Plan	Disaster Management Framework/Plan reviewed by December Annually	1	1	1	1	1	n/a	n/a
Provision & Maintenance of sport facilities	No of wards without maintained sport facilities	0	New PI	New PI	0%	0%	n/a	n/a

Chapter 4 – Table 3: Top Level SDBIP – Municipal Transformation and Institutional Development

4.2.3 TOP LEVEL SDBIP - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The National Key Performance Area Municipal Financial Viability and Management is linked to the Municipal Key Performance Area namely *Municipal Financial Viability and Management*. The IDP Objectives linked to Municipal Financial Viability are: "A Successful and Respected Town" and "A Town Prepared for the Future".

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Improvement in conditional grant spending - capital	% of total conditional capital grants spent	141%	New PI	New PI	100%	95%	Actual is in the (10%) range between 90% and 110% which is considered as the norm. See Annexure E of the AFS	No corrective measure required
Improvement in conditional grant spending - operational	% of total conditional operational grants spent	100%	New PI	New PI	100%	100%	See Annexure E of the AFS	n/a
Asset management	Maintained asset register	100%	100%	100%	100%	100%	n/a	n/a
Improved revenue collection	% Debt recovery rate	94.3%	96%	96%	94%	96%	Write Off Vermont Old Age Home arrears	n/a
Updated indigent register for the provision of free basic services	Updated indigent register by July Annually	1	1	1	1	1	n/a	n/a
Operation Audit Cleanup	Implementing operation audit cleanup	100%	New PI	New PI	100%	100%	n/a	n/a
Closure of books and compilation of financial statements	Completion of financial statements and formal submission to the Auditor General by 31 August	1	1	1	1	1	n/a	n/a
Financial Viability	Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	12.4:1	12.0:1	13.52	2.0:1	2.3:1	Figures for 2009/10 utilised due to audited figures only being available at the end of November 2011	n/a
Financial Viability	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	22.9%	19%	21%	16%	16%	n/a	n/a
Financial Viability	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	1.1:1	2.5:1	2.45:1	1.1:1	2.4:1	Figures for 2009/10 utilised due to audited figures only being available at the end of November 2011	n/a
Effective SCM system	No of successful appeals	0	0	0	0	0	n/a	n/a
Percentage of property valuations disputed	% disputed	6%	New PI	New PI	0.50%	0.14%	Dedicated individual appointed to facilitate disputes	n/a

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Percentage/No of HH receiving free basic sanitation	% of HH/No of HH	1,332	100%	100%	1,500	1,063	Statistical PI, needed for reporting purposes only (above or below target not a failure)	n/a
Quantum of free basic sanitation received	R value per month per household	R 48.33	R 48.33	R 48.33	R 51.92	R 51.92	n/a	n/a
Percentage of households with access to basic level of water (1)	Percentage of households in approved informal areas with standpipe water supply within 200m	100%	100%	100%	100%	100%	n/a	n/a
No of HH receiving free basic refuse removal	No of HH	1,573	100%	100%	1,700	8,250	Statistical PI, needed for reporting purposes only (above or below target not a failure) Northern Areas included in Actual	n/a
Quantum of free basic refuse removal received	R value per month per household	R 43.66	R 50.00	R 50.00	R 53.75	R 53.75	n/a	n/a
Percentage of formal households with access to basic level of water (2)	The total number of formal household with access to on site water supply divided by the total number of households known to the Municipality	100%	100%	100%	100%	100%	n/a	n/a
No of HH receiving free basic water	No of HH	1,142	New PI	New PI	2,600	727	Statistical PI, needed for reporting purposes only (above or below target not a failure)	n/a
Quantum of free basic water received	Kl per month per household	266,760	New PI	New PI	304,560	635,725	Statistical PI, needed for reporting purposes only (above or below target not a failure)	n/a
Number of households receiving free basic electricity	No of households	6,800	New PI	New PI	6,800	6,921	Statistical PI, needed for reporting purposes only (above or below target not a failure)	n/a
Quantum of free basic electricity received	Kwh per month per household	4,338,121	New PI	New PI	4,338,121	3,762,900	Statistical PI, needed for reporting purposes only (above or below target not a failure)	n/a

Chapter 4 – Table 4: Top Level SDBIP – Municipal Financial Viability and Management

4.2.4 TOP LEVEL SDBIP - LOCAL ECONOMIC DEVELOPMENT

The National Key Performance Area Local Economic Development is linked to the Municipal Key Performance Area namely *Local Economic Development*. The IDP Objective that is linked to Local Economic Development is: "A *Caring and Content Town*".

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Employment through Housing development	No of emerging contractors utilised	10	10	11	10	12	Including three woman	n/a

Chapter 4 – Table 5: Top Level SDBIP – Local Economic Development

4.2.5 TOP LEVEL SDBIP - BASIC SERVICE DELIVERY

The National Key Performance Area Basic Service Delivery is linked to the Municipal Key Performance Area namely *Basic Service Delivery*. The IDP Objective that is linked to Basic Service Delivery is: "A *Reliably Functioning Town (RFT)*".

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Implementation of Integrated Human Settlement Strategy	No of recommendations developed	2	2	16	2	53	Knysna Municipality runs a series of interventions over a year. This year included: the Karatara survey and pegging; the socio-economic audit to prepare for the transfer of Karatara properties; design of Happy Rest and Ethembeni; completion of basic services at Hlalani; commencement of the Rheendal MSP and Infill applications; submission of 3 Vision phases applications and one Vision services application and resubmission of the rectification business plan. We also received an additional DORA allocation.	n/a
Percentage/ No of HH that meet agreed standards (all existing informal settlements to be formalised with land use plans for economic and social facilities and with the provision of permanent basic services) - Informal areas	No of informal dwellers provided with housing opportunity	250	250	543	100	420	We exceeded the target due to innovative construction practices and the acquisition of additional DORA funds.	n/a

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Percentage/ No of HH that meet agreed sanitation service standards (at least once a week) -Informal areas	% of HH without/ No of HH that meet minimum standard sanitation	250	250	543	100	420	We exceeded the target due to innovative construction practices and the acquisition of additional DORA funds.	n/a
Maintenance of recreational areas	Development and implementation of maintenance plan for recreational areas	100%	New PI	New PI	100%	121%	A safety check on equipment was done (play parks). Mowing and general maintenance	n/a
Maintenance of recreational areas	% of maintenance budget of recreational areas spent	95%	New PI	New PI	95%	121%	A safety check on equipment was done (play parks). Mowing and general maintenance	n/a
Maintenance of grave yards	Development and implementation of maintenance plan for grave yards	100%	New PI	New PI	100%	100%	n/a	n/a
Maintenance of grave yards	% of maintenance budget of grave yards spent	95%	New PI	New PI	95%	96%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	n/a
Maintenance of halls and facilities	Development and implementation of maintenance plan for halls and facilities	100%	New PI	New PI	100%	100%	n/a	n/a
Maintenance of halls and facilities	% of maintenance budget of halls and facilities spent	95%	New PI	New PI	95%	61%	In future savings will be utilised to upgrade Khayaletu Hall	Plan will be developed to address hall maintenance
Develop and implement a comprehensive Traffic Law Enforcement Strategy	% Decrease in traffic violations per average vehicular flow	4,500	4,500	3,296	4,400	0	Information not available.	The new traffic enforcement equipment will produce the required information
Effective fire brigade service	% of Fire Brigade service that meets agreed standards	100%	100%	100%	100%	100%	n/a	n/a
Promoting Council's Waste Minimisation- and Recycling Strategy	% improvement	0%	New PI	New PI	100%	100%	n/a	n/a
Effective capital spending	% spent of approved waste management capital projects	95%	100%	109%	100%	32%	Insufficient funds	Current funds will be rolled over to the new financial year.

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Maintenance of refuse removal assets	% of approved maintenance plan executed	95%	New PI	New PI	95%	120%	Additional repairs and maintenance required at transfer station	n/a
Maintenance of refuse removal assets	% of maintenance budget of refuse removal spent	95%	New PI	New PI	95%	108%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	n/a
Percentage/ No of HH with no stormwater system - Formal areas	% of HH without/No of HH without	0%	0%	0%	0%	0%	n/a	n/a
Percentage/ No of HH with no stormwater system - Informal areas	% of HH without/No of HH without	250	250	543	0	0	n/a	n/a
Effective capital spending	% spent of approved stormwater capital projects	0	100%	110%	0	0	n/a	n/a
Maintenance of stormwater assets	% of approved maintenance plan executed	95%	New PI	New PI	95%	75%	Poor planning	Better programming to be done in future.
Maintenance of stormwater assets	% of maintenance budget of stormwater spent under directorate's control	95%	New PI	New PI	95%	75%	Insufficient resources to implement the planned budget	Improve planning
Improvement of sanitation system capacity	% improvement	0%	New PI	New PI	0%	0%	n/a	n/a
Percentage/ No of HH that meet agreed sanitation service standards (at least VIP on site) -Formal areas	% of HH without/ No of HH without minimum standard sanitation	0	0	0	0	0	n/a	n/a
Percentage/ No of HH that meet agreed sanitation service standards (at least VIP on site) -Informal areas	% of HH without/ No of HH that meet minimum standard sanitation	This PI is currently not measurable	0	0	0	0	n/a	n/a
Percentage water quality level of waste water discharge	Quality of waste water discharge for the grater Knysna Area	50%	New PI	New PI	50%	66%	Improved operational performance	n/a
Effective capital spending	% spent of approved waste water management capital projects	95%	100%	95%	95%	89%	Some capital projects finish after the end of the financial year	Better reporting going forward in 2011/12
Maintenance of sanitation assets (Plan)	% of approved maintenance plan executed	95%	New PI	New PI	95%	95%	n/a	n/a

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Maintenance of sanitation assets (Spent)	% of maintenance budget of sanitation spent	95%	New PI	New PI	95%	91%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	No corrective measure required
Development and implementation of a public transport system	% implementation of the public transport system/No of projects	0	New PI	New PI	0%	0%	n/a	n/a
Km of new road for previously un-serviced areas	No of kilometres	0.8km	New PI	New PI	0	0	Budget transferred to Resealing Programme	n/a
Effective capital spending	% spent of approved municipal roads capital projects	95%	100%	110%	100%	85%	Budget utilised to attend to emergency work (Casual appointment)	Improve planning future years
Maintenance of municipal roads	Kilometres of roads patched and resealed according to approved maintenance plan	.8 Kilometres	New PI	New PI	0.8	1.2	Additional budget	n/a
Maintenance of municipal roads (Spent)	% of maintenance budget of municipal roads spent under director's control	95%	New PI	New PI	95%	100%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	n/a
Quality of water purified	Number of Water purification tests that meet required bacteriological standards for potable water, divided by total water purification test carried out: Overall	90%	82%	92%	90%	92%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	n/a
New water connections	No of new water connections	100	New PI	New PI	100	62	Statistical PI, needed for reporting purposes only (above or below target not a failure)	No corrective measure required
Percentage of water losses	Total MI of water distributed divided (WD) by the total MI of water purified (WP) on a 12 month moving average basis. 1-(WD/WP) - Overall	27%	27%	26%	27%	18%	Improved operational performance	n/a
Excellent water quality	% water quality level as per blue drop project	82%	New PI	New PI	82%	75%	Staff requirement issues. Challenges regarding Sedgfield WWTW	To be prioritised for design in 2012/13
Effective capital spending	% spent of approved water capital projects	95%	100%	95%	95%	116%	Improved service delivery	n/a

KPI	Unit of Measurement	Base-line	Actual performance 2009/10		Actual performance 2010/11		Performance Comment	Corrective measures
			Target	Actual	Target	Actual		
Maintenance of water assets	% of approved maintenance plan executed	95%	New PI	New PI	95%	95%	Actual is in the (10%) range between 49% and 59% which is considered as the norm.	n/a
Maintenance of water assets	% of maintenance budget of water spent	95%	New PI	New PI	95%	138%	?Improved operational performance	n/a
Improvement of electricity distribution capacity	% improvement	no info	New PI	New PI	0	0	n/a	n/a
New electricity connections	The total number of new formal household electricity connections completed - Number	100	1000	256	100	375	Statistical PI, needed for reporting purposes only (above or below target not a failure)	n/a
Percentage of households with access to basic level of electricity	The total number of formal households with on-site electricity facilities divided by the total number of households known to the Municipality	98%	98%	98%	98%	98%	n/a	n/a
Percentage of HH that meet agreed service standards (connected to the national grid) - Informal areas	% of HH achieving agreed service standards/No of HH	100%	100%	100%	100%	100%	n/a	n/a
Percentage of electricity losses	Total amount of electricity purchased divided by the total amount of electricity sold	7.6%	7.6%	7.3%	7.6%	6.9%	Units purchased (Mwh) 190 754 083 - Units lost during distribution (Mwh) 13 104 662	n/a
Effective capital spending	% spent of approved electricity capital projects	95%	100%	90%	95%	100%	Capital budget fully utilised	n/a
Maintenance of electricity assets	% of approved maintenance schedule executed	95%	New PI	New PI	95%	92%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	No corrective measure required
Maintenance of electricity assets	% of maintenance budget of electricity spent	95%	New PI	New PI	95%	92%	Actual is in the (10%) range between 90% and 110% which is considered as the norm.	No corrective measure required
Percentage/No of HH with no street lights	No of HH without	no info	New PI	New PI	0%	10%	10% is estimation only, information currently not available No funding available for high mast lighting.	Will need to form part of the Annual MIG allocation

Chapter 4 – Table 6: Top Level SDBIP – Basic Service Delivery

4.3 SERVICE DELIVERY PRIORITIES (TOP LEVEL SDBIP) 2011/12

In terms of section 46(1)(ii) of the MSA no 32 of 2000 the main development and service delivery priorities (Top Level SDBIP) for 2011/12 and approved by Council are indicated in the table below:

Municipal KPA	KPI	Unit of Measurement	Annual Target
Good Governance and Public Participation	The number of people from employment equity target groups employed in the three highest levels of management in funded vacancies for 2011/12 in compliance with the municipality's approved employment equity plan	% of people employed	80%
Good Governance and Public Participation	Annual report and oversight report of council submitted before the end of January for consideration	Report submitted to Council	1
Good Governance and Public Participation	Institutional Performance management system in place and implemented up to level 4 (TASK 17-14)	Number of performance agreements signed	25
Good Governance and Public Participation	Effective and up to date By-laws	No of By-laws revised annually	1
Good Governance and Public Participation	Number of findings in the audit report on non-compliance with laws and regulations affecting the audit opinion	0 findings in the audit report on non-compliance	0
Good Governance and Public Participation	Effective functioning of council measured in terms of the number of council meetings per annum	No of council meetings per annum	4
Good Governance and Public Participation	Effective functioning of the committee system measured by the number of committee meetings per committee per quarter	No of sec 80 committee meetings per annum	16
Good Governance and Public Participation	Facilitate effective functioning of ward committees to ensure consistent and regular communication with residents	No of ward committee meetings per annum	40
Good Governance and Public Participation	Integrated development planning measured by the alignment of the municipal spending with IDP	The percentage of a municipality's capital budget spent on capital projects identified in the IDP	100%
Good Governance and Public Participation	No of Section 57 performance agreements signed by the end of July	No of performance agreements signed	6
Good Governance and Public Participation	Functional performance audit committee measured by the number of meetings per annum	No of meetings held	4
Good Governance and Public Participation	The Top Layer SDBIP is approved by the Mayor within 28 days after the Main Budget has been approved	Top Layer SDBIP approved within 28 days after the Main Budget has been approved	100%
Good Governance and Public Participation	Initiatives in the anti-corruption policy is successfully implemented	No of initiatives implemented in terms of the approved strategy	2
Good Governance and Public Participation	Risk based audit plan approved by the end of September	Plan approved	100%
Good Governance and Public Participation	The adjustment budget is submitted to Council by the end of February	Adjustments Budget submitted by the end of February	100%
Good Governance and Public Participation	The main budget is submitted to Council by the end of March	Budget submitted by the end of March	100%
Good Governance and Public Participation	The municipality listens and talks back to its people by ensuring that the IDP is inclusive of ward based priorities and is endorsed by community organisations and stakeholders as local social compacts	IDP Forum approval of the IDP	100%
Good Governance and Public Participation	New 5 year IDP developed and submitted by the end of March	% completion by the end of March	100%
Good Governance and Public Participation	The IDP is comprehensive and complies with the requirements of the Systems Act measured by the number of sector plans included	No of required sector plans included in the IDP	8

Municipal KPA	KPI	Unit of Measurement	Annual Target
Municipal Transformation and Institutional Development	Targeted skills development measured by the R-value spent of the available budget for implementation of the workplace skills plan	R-value spent on the available skills development budget	R 676,720
Municipal Transformation and Institutional Development	Perform a needs analysis per directorate to determine their requirements prior to the implementation of the Complaints module of Collaborator	Number of analysis completed per directorate	6
Municipal Transformation and Institutional Development	Effective labour relations by facilitating regular LLF meetings per annum	No of meetings of the LLF per annum	4
Municipal Transformation and Institutional Development	Revise identified HR policies by the end of June to ensure compliant and up to date HR policies	No of policies revised	4
Municipal Transformation and Institutional Development	Creation of an effective institution with sustainable capacity measured by the % vacancy level as % of approved funded organogram	% Vacancy level	10%
Municipal Transformation and Institutional Development	Implement the complaints module of Collaborator in all directorates to ensure appropriate documentation of all complaints received	Number of directorates utilising the module before the end of June	6
Municipal Transformation and Institutional Development	Implementation of skills development plan with targeted skills development	No of personnel actually trained/ No of personnel identified for training (%)	75%
Municipal Financial Viability and Management	No of findings of issues raised by AG in AG report of the previous financial year addressed to promote a clean audit	No of findings addressed	130
Municipal Financial Viability and Management	Improvement in capital conditional grant spending measured by the % spent	% of the grant spent	100%
Municipal Financial Viability and Management	Improvement in operational conditional grant spending measured by the % spent	% of the grant spent	100%
Municipal Financial Viability and Management	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	0.5
Municipal Financial Viability and Management	Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	11.1
Municipal Financial Viability and Management	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	18.30%
Municipal Financial Viability and Management	Improved revenue collection measured by the % debt recovery rate	% Debt recovery rate	97.20%
Municipal Financial Viability and Management	Completion of financial statements and formal submission to the Auditor General by 31 August	Approved financial statements submitted	100%
Municipal Financial Viability and Management	Compliance with the SCM Act measured by the limitation of successful appeals against the municipality	0 successful appeals	0
Municipal Financial Viability and Management	Compliance with GRAP 16, 17 & 102 to ensure effective asset management	0 findings in the audit report on non-compliance	0
Local Economic Development	The number of SMME's employed through municipality's local economic development initiatives including capital projects	Number of SMME's employed	10
Local Economic Development	No of initiatives implemented in terms of the approved LED strategy	No of initiatives	2

Municipal KPA	KPI	Unit of Measurement	Annual Target
Basic Service Delivery	Provision of refuse removal, refuse dumps and solid waste disposal to all formal areas	No of formal HH for which refuse is removed at least once a week	13,300
Basic Service Delivery	Maintenance of halls and facilities	No of halls and facilities projects (kitchens) executed	6
Basic Service Delivery	Maintenance of halls and facilities measured by the % of budget spent	% of maintenance budget of halls and facilities spent	100%
Basic Service Delivery	Develop maintenance plan for recreational areas by December to ensure that recreational areas are maintained	Plan developed by December	1
Basic Service Delivery	Graveyards is maintained measured by the % of the maintenance budget spent	% of budget spent	100%
Basic Service Delivery	Recreational areas is maintained measured by the % of the maintenance budget spent	% of budget spent	100%
Basic Service Delivery	Review the Council waste minimisation strategy	Strategy reviewed	1
Basic Service Delivery	Disaster Management Plan reviewed up to level 3 (risk reduction plan) by the end of December	Plan reviewed	1
Basic Service Delivery	Develop a law enforcement strategy by end December to focus on residential areas	Strategy developed	1
Basic Service Delivery	Enforcement of the road traffic act by implementing initiatives of the law enforcement strategy	Number of initiatives implemented	6
Basic Service Delivery	Establish a law enforcement unit by end of December	Unit established	1
Basic Service Delivery	Provision of sport facilities	No of sport facilities upgraded	2
Basic Service Delivery	Apply for ROD (Record of decision) by end of June (2 builders sites and 2 garden waste sites) to develop new builders and garden waste sites	Number of applications for ROD by end of June	2
Basic Service Delivery	Effective waste management capital spending measured by the % of budget spent	% spent of approved waste management capital projects	100%
Basic Service Delivery	Maintenance of refuse removal assets measured by the % of budget spent	% of the maintenance budget spent	100%
Basic Service Delivery	Development of a library outreach strategy to rural areas by the end of December	Strategy developed	1
Basic Service Delivery	Implement 2 initiatives of the library outreach strategy within the rural areas by end June	Number of initiatives implemented	2
Basic Service Delivery	Provision of electricity that are connected to the national grid to all formal areas	No of formal areas that meet agreed service standards	16,600
Basic Service Delivery	Effective electricity capital spending measured by the % of budget spent	% spent of approved electricity capital projects	95%
Basic Service Delivery	Effective management of electricity provisioning systems by limiting unaccounted for electricity	% of electricity unaccounted for	12%
Basic Service Delivery	Electricity assets is maintained in terms of the maintenance budget spent	% of maintenance budget of electricity spent	100%
Basic Service Delivery	Improvement of electricity distribution capacity in Sedgefield (10 mVA 66/11 kv transformer) and Knysna by the end of June 2012	No of projects completed	2
Basic Service Delivery	Number of projects executed in terms of the Infrastructure Enhancement Plan within budget constraints	No of projects executed	2
Basic Service Delivery	Provide electrical infrastructure to new housing developments for electricity reticulation	No of new electricity connections provided	177
Basic Service Delivery	Provision of free basic electricity in terms of the equitable share requirements	No of HH receiving free basic electricity	7,470
Basic Service Delivery	Provision of free basic electricity in terms of the equitable share requirements	Quantum of free basic electricity per household	50
Basic Service Delivery	Provision of free basic refuse removal in terms of the equitable share requirements	No of HH receiving free basic refuse removal	1,697
Basic Service Delivery	Provision of free basic refuse removal in terms of the equitable share requirements	R-value of free basic refuse removal per month per household	R 677
Basic Service Delivery	Provision of free basic sanitation in terms of the equitable share requirements	No of HH receiving free basic sanitation	1,697
Basic Service Delivery	Provision of free basic sanitation in terms of the equitable share requirements	R-value of free basic sanitation provided per HH	R 645

Municipal KPA	KPI	Unit of Measurement	Annual Target
Basic Service Delivery	Provision of free basic water in terms of the equitable share requirements	No of HH receiving free basic water	4,740
Basic Service Delivery	Quantum of free basic water per household in terms of the equitable share requirements	Quantum of free basic water provided per household	6
Basic Service Delivery	Formalisation of informal settlements with land use plans for the provision of permanent basic services	Number of settlements	0
Basic Service Delivery	Implementation of Integrated Human Settlement Strategy measured by the number of initiatives implemented which comply with the approved strategy by the end of June	Number of initiatives	2
Basic Service Delivery	Provision of sanitation systems limited to domestic waste water and sewerage disposal to formal HH	No of formal HH that have at least VIP on site	0
Basic Service Delivery	Provision of sanitation systems limited to domestic waste water and sewerage disposal to informal HH	No of informal HH that have at least VIP on site	300
Basic Service Delivery	Provision of stormwater management systems in built up areas to all informal HH	No of HH with	300
Basic Service Delivery	Provision of cleaned piped water to all formal HH within 200m from the household	No of formal HH that meet agreed service standards for piped water	13,300
Basic Service Delivery	Effective municipal roads capital spending measured by the % of budget spent	% spent of approved roads capital projects	100%
Basic Service Delivery	Maintenance of municipal roads measured in terms of the % of the maintenance budget spent	% of budget spent	100%
Basic Service Delivery	Municipal roads are maintained measured by the kilometres of roads resealed according to approved maintenance plan	Kms of roads resealed	1.5
Basic Service Delivery	Municipal roads is maintained measured by the square metres of roads patched according to approved maintenance plan	Square metres of roads patched	5,500
Basic Service Delivery	Revision of maintenance plan for municipal roads by July	Plan revised	100%
Basic Service Delivery	Development of maintenance plan for sanitation systems by end July	Plan developed by end July	100%
Basic Service Delivery	Maintenance of sanitation assets measured by the % of the maintenance budget spent	% of the maintenance budget spent	100%
Basic Service Delivery	Sanitation assets is maintained in terms of the maintenance budget spent	% of maintenance budget of sanitation spent	100%
Basic Service Delivery	Upgrade the Knysna waste water treatment works (phase 2) by the end of June	% completion of the project	100%
Basic Service Delivery	Development of a Stormwater Master Plan by the end of June	Plan developed by end June	100%
Basic Service Delivery	Effective stormwater capital spending measured by the % of budget spent	% spent of approved stormwater capital projects	100%
Basic Service Delivery	Stormwater assets is maintained in terms of the maintenance budget spent	% of maintenance budget of stormwater spent	100%
Basic Service Delivery	Quality of waste water discharge measured by the % water quality level in terms of SANS 241	% water quality level of waste water discharge	50%
Basic Service Delivery	Effective management of water provisioning systems to limit unaccounted water	% of water unaccounted for	25%
Basic Service Delivery	Effective water capital spending measured by the % of budget spent	% spent of approved water capital projects	100%
Basic Service Delivery	Revision of the maintenance plan for water assets by the end of July to maintain water assets	Revision of the plan by July	100%
Basic Service Delivery	Water assets are maintained in terms of the maintenance budget spent	% of maintenance budget of water spent	100%
Basic Service Delivery	Development of a Water Demand Management plan by the end of June	Plan developed by the end of June	100%
Basic Service Delivery	Excellent water quality measured by the quality of water as per blue drop or SANS 241 criteria	% water quality level	0%
Basic Service Delivery	No of blue drop awards achieved	Number of awards	1
Basic Service Delivery	Revise the Water Service Development Plan annually by the end of October	Plan revised and approved by Council	100%

Chapter 4 – Table 7: Development and Service Delivery Priorities for 2011/12

4.4 BASIC SERVICE DELIVERY

4.4.1 ACCESS TO FREE BASIC SERVICES

By utilising the household figure of 19,684 contained in the 2011/12 IDP for 2009 and increasing it by the estimated growth percentage as per chapter one an estimated household figure of 20,499 for 2009/10 and 21,348 for 2010/11 is determined.

The table below indicates that 32.8% of the total number of households received free basic electricity while 7.2% received free basic services for the past financial year:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No Access	%	No Access	%	No Access	%	No Access	%
2009/10	20,499	6,548	31.9%	1,755	8.6%	1,755	8.6%	1,755	8.6%
2010/11	21,348	7,002	32.8%	1,544	7.2%	1,544	7.2%	1,544	7.2%

Chapter 4 – Table 8: Free basic services to indigent households

The access to free basic services is summarised into the different services as specified in the following table:

Electricity							
Financial year	Cost per Unit	Indigent Households			Households on Financial System		
		No of HH	Unit per HH (kwh)	Value R'000	No of HH	Unit per HH (kwh)	Value R'000
2009/10	R0.55	6,548	50	2,161	0*	0	0
2010/11	R0.78	7,002	50	3,277	0*	0	0

Chapter 4 – Table 9: Free basic Electricity services to households

Water							
Financial year	Cost per Kl	Indigent Households			Households on Financial System		
		No of HH	Unit per HH (kl)	Value R'000	No of HH	Unit per HH (kl)	Value R'000
2009/10	13.25	1,755	6	1,674	10,052	6	9,590
2010/11	14.73	1,544	6	1,638	10,396	6	11,026

Chapter 4 – Table 10: Free basic Water services to households

Sanitation						
Financial year	Indigent Households			Households on Financial System		
	No of HH	R value per HH pm	Value R'000	No of HH	Unit per HH per month	Value R'000
2009/10	1,755	48.33	1,018	0*	0	0
2010/11	1,544	51.92	962	0*	0	0

Chapter 4 – Table 11: Free basic Sanitation services to households

* Footnote: Only indigent households receive free basic electricity, sewerage and refuse services.

Refuse Removal						
Financial year	Indigent Households			Households on Financial System		
	No of HH	Service per HH per week	Value R'000	No of HH	Unit per HH per month	Value R'000
2009/10	1,755	50.00	1,053	0*	0	0
2010/11	1,544	53.75	996	0*	0	0

Chapter 4 – Table 12: Free basic Refuse Removal services to households per type of service

* Footnote: Only indigent households receive free basic electricity, sewerage and refuse services.

4.4.2 ACCESS TO BASIC LEVEL OF SERVICES

The following table indicates the number of households that **gained access for the first time** to the different types of basic services during the 2010/11 financial year:

Type of service	2007/08	2008/09	2009/10	2010/11
Housing	436	248	540	420
Water	661	248	540	420
Sanitation	661	248	540	420
Refuse removal	436	663	774	386
Electricity	796	376	349	456
Streets & Storm Water	210	248	540	420

Chapter 4 – Table 13: Access to basic level of services

A) CAPITAL BUDGET SPENT ON MUNICIPAL SERVICES

The percentage (%) of the total approved capital budget spent on each municipal service respectively for the 2008/09, 2009/10 and 2010/11 financial years respectively are as follows:

Financial Year	Housing	Water	Sanitation	Refuse Removal	Electricity	Streets & Storm Water	Community facilities	Other
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2008/09	86.94	86.49	92.10	90.73	70.59	103.12	59.16	78.26
2009/10	58.54	94.59	856.31	109.05	90.28	109.57	38.38	101.27
2010/11	Awaiting the AFS							

Chapter 4 – Table 14: Capex

The following table indicates the total amount of capital expenditure on assets by asset class for the past three financial years:

Description	2007/08	2008/09	2009/10	2010/11		
	Actual	Actual	Actual	Original Budget	Adjustment Budget	Actual Expenditure
Capital expenditure on new assets by Asset Class/Sub-class (R'000)						
Infrastructure	25,745	20,831	58,095	24,536	23,532	See AFS
Infrastructure - Road transport	0	0	144	700	1,050	
Roads, Pavements & Bridges	0	0	144	700	1,050	204
Infrastructure - Electricity	15,810	3,671	4,182	1,824	3,157	6,141
Transmission & Reticulation	15,810	3,492	2,267	1,824	2,548	5,375
Street Lighting	0	178	1,915	0	609	766
Infrastructure - Water	4,608	11,380	49,103	19,746	17,852	25,304
Dams & Reservoirs	0	0	0	0	0	0
Water purification	3,198	10,287	44,442	16,701	13,641	18,892
Reticulation	1,411	1,093	4,661	3,045	4,211	6,412
Infrastructure - Sanitation	4,024	2,165	360	0	0	7,705
Reticulation	3,977	2,165	360	0	0	22
Sewerage purification	47	0	0	0	0	7,683
Infrastructure - Other	1,303	3,615	4,306	2,266	1,473	1,252
Waste Management	0	492	698	600	0	0
Transportation	1,303	3,124	3,608	1,666	1,473	1,252
Other	0	0	0	0	0	0
Community	28,415	20,533	4,932	21,650	9,858	
Parks & gardens	0	0	0	0	0	0
Sports fields& stadia	0	0	3,079	0	4	0
Community halls	0	0	0	0	0	0
Recreational facilities	0	0	0	0	0	0
Fire, safety & emergency	0	174	34	0	0	0
Social rental housing	28,004	18,730	1,818	11,124	5,468	3,087
Other	411	1,596	0	10,526	4,386	1,399
Heritage assets	0	0	0	0	0	
Investment properties	0	0	0	0	0	
Other assets	1,753	3,772	2,029	582	884	9,150
General vehicles	0	341	0	0	0	2,390
Specialised vehicles	0	2,705	0	0	0	0
Plant & equipment	431	298	0	0	19	1,184

Description	2007/08	2008/09	2009/10	2010/11		
	Actual	Actual	Actual	Original Budget	Adjustment Budget	Actual Expenditure
Computers - hardware/equipment	326	169	109	285	335	3,124
Furniture and other office equipment	659	208	1,481	97	270	1,244
Civic Land and Buildings	280	0	0	200	160	1,208
Other Buildings	56	52	739	0	100	0
Other	0	0	0	0	0	0
Agricultural assets	0	0	0	0	0	
Biological assets	0	0	0	0	0	
Intangibles	0	14	0	0	0	
Total Capital Expenditure on new assets	55,913	45,151	65,056	46,768	34,273	

Chapter 4 – Table 15: Total capital expenditure on assets

B) PERCENTAGE SPENDING ON TOTAL CAPITAL BUDGET

The total percentage (%) of the capital budget for the past three years is indicated in the table below:

Financial year	% of Capital budget spent	% of Capital budget Under spent	Reasons for under spending
2007/08	68.34	31.66	<ul style="list-style-type: none"> As a result of Council's decision to suspend the Sedgefield Waterworks program due to insufficient grant funding
2008/09	87.69	12.31	<ul style="list-style-type: none"> Executive and Council All projects completed, Budget saving (R 5,766) Strategic Services - National Lottery projects still in progress (R 591,784) Financial Services - All projects completed, budget saving (R 59,010) Community Services - Establishment of new cemetery and ablution facilities not realised R 4 million Electrical Services - Densification, Nelson street substation and Eastford substation upgrade continued into 2009/2010 R 3,2 million
2009/10	89.85	10.15	<ul style="list-style-type: none"> Strategic Services: World Cup 2010 of R 3,7 million; and Neighbourhood Development Partnership Grant (NDPG) of R 4 million not completed. Planning and Development: Integrated Housing and Human Settlements/Projects of R 3,2 million in progress. Electrical Services: 20/25MVA Intake Transformer project of R 1,5 million in progress.
2010/11	92.48	7.52	<ul style="list-style-type: none"> Planning and Development: Hornlee Taxi Rank Construction (NDPG) R 2,6 Housing: Knysna Vision 2002 (IHHS) (Infrastructure) R 2,4 million Water Purification Works: Re-Use at Knysna WWTW (DMG) R 1.9 million Electricity, Sewerage and Water: Asset replacements and refurbishment R 1. 2 million (R 0.35 [Electricity] R 0.44 [Sewerage] R 0.44 [Water])

Chapter 4 – Table 16: Total capital expenditure

4.4.3 HOUSING

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately 10,550 housing units on the waiting list.

Housing waiting list	Nr of people on Housing waiting list	% Housing waiting list increase/decrease
2007/08	7,150	9.6%
2008/09	8,230	11.5%
2009/10	9,840	16.3%
2010/11	10,550	6.7%

Chapter 4 – Table 17: Housing waiting list

A total amount of R 52 million was allocated to build houses during the financial year under review. A summary of houses built, includes:

Financial year	Allocation (R'000)	Amount spent (R'000)	% spent	Number of houses built	Number of sites serviced
2007/08	14,819,249	41,552,169	280%	210	459
2008/09	25,576,251	38,109,082	147%	369	476
2009/10	31,997,000	37,158,734	116%	541	356
2010/11	52,000,000	52,000,000	100%	420	320

Chapter 4 – Table 18: Housing

4.5 MUNICIPAL INFRASTRUCTURE AND OTHER GRANTS

The Municipality had a total budgeted amount of R 74,771 for infrastructure and other capital projects available that was received in the form of grants from the National and Provincial Governments, Eden District as well as French Government and LOTTO during the 2010/11 financial year. The performance in the spending of these grants is summarised as follows:

Description	Operating Expenditure		Capital Expenditure		Total Budget	Total Actual	% Spent
	Budget	Actual	Budget	Actual			
Executive & Council							
Grant - W C P A	132	38	-	-	132	38	29%
Program Office Furniture	-	-	16	4	16	4	22%
Subtotal	132	38	16	4	148	41	28%
Corporate							
Grant - Other		76	-	-		76	0%
Grant - W C P A	64	26	-	-	64	26	41%
Grant - W C P A (Other)	40	40	-	-	40	40	100%

Description	Operating Expenditure		Capital Expenditure		Total Budget	Total Actual	% Spent
	Budget	Actual	Budget	Actual			
Program Office Furniture	-	-	25	15	25	15	59%
Subtotal	104	142	25	15	129	157	122%
Finance							
Grant - National Government	1,558	1,658	-	-	1,558	1,658	106%
Program Computer Equipment	-	-	39	38	39	38	99%
Subtotal	1,558	1,658	39	38	1,597	1,696	106%
Planning and development							
Electrification Connections (INEP)	-	-	361	387	361	387	107%
Electrification Ethembeni	-	-	-	77	-	77	0%
Electrification Hlalani (INEP)	-	-	913	862	913	862	94%
Flensters land rehabilitation (retaining walls)	-	-	468	471	468	471	101%
Grant - Eden District	90	90	-	-	90	90	100%
Grant - WCPA	36,527	34,509	-	-	36,527	34,509	94%
Grant - WCPA (Other)	71	52	-	-	71	52	73%
Knysna Vision 2002 (Infrastructure)	-	-	5,000	2,616	5,000	2,616	52%
NDPG: Hornlee Taxi Rank	-	-	4,386	1,399	4,386	1,399	32%
Subtotal	36,688	34,651	11,128	5,813	47,816	40,464	85%
Community							
Dam-se-Bos(FRENCH)	-	-	465	-	465	-	0%
Dam-se-Bos(LOTTO)	-	-	234	-	234	-	0%
Grant - Umsobomvu Youth Fund	85	85	-	-	85	85	101%
Grant - WCPA	829	793	-	-	829	793	96%
Subtotal	914	878	699	-	1,613	878	54%
Electricity							
Concordia High Masts NHA	-	-	-	420	-	420	0%
Karatara Prepaid Meters EDEN	-	-	200	200	200	200	100%
MIG163869 New Street Lighting	-	-	209	-	209	-	0%
Subtotal	-	-	409	620	409	620	152%
Technical							
Emergency Boreholes Knysna (DMG)	-	-	1,754	5,182	1,754	5,182	295%
Grant - National Government	614	515	-	-	614	515	84%
Grant - National Masibambane	276	-	-	-	276	-	0%
Grant - WCPA	26	-	-	-	26	-	0%
MIG0304 Rheenendal WTW	-	-	270	146	270	146	54%
MIG0607 LI Side Walks Knysna	-	-	494	888	494	888	180%
MIG161601 N&NE Bulk Water	-	-	3,509	4,348	3,509	4,348	124%
MIG164160 LI Side Walks Rheenendal	-	-	459	210	459	210	46%

Description	Operating Expenditure		Capital Expenditure		Total Budget	Total Actual	% Spent
	Budget	Actual	Budget	Actual			
MIG164160 LI Side Walks Sedgefield and Karatara	-	-	459	139	459	139	30%
MIG178845 Extension Knysna WWTW	-	-	6,487	6,645	6,487	6,645	102%
MIG182911 Bosdorp Water Reticulation	-	-	702	1,328	702	1,328	189%
MIG183065 Eastford Pumping Scheme	-	-	1,309	3,924	1,309	3,924	300%
MIG183291 Sedge New Bulk Water	-	-	111		111		0%
MIG195773 Karatara River Weir	-	-	-	180	-	180	0%
MIG196404 Raise Akkerkloofdam Wall	-	-	-	7	-	7	0%
MIG3111 Extend Knysna WTW	-	-	738		738		0%
Re-Use at Knysna WWTW (DMG)	-	-	9,286	7,403	9,286	7,403	80%
Subtotal	916	515	25,578	30,399	26,494	30,914	117%
Grand Total	40,312	37,883	37,894	36,888	78,206	74,771	96%

Chapter 4 – Table 19: Spending of grants

4.6 ADDITIONAL PERFORMANCE

The table below enclose additional performance of the municipality:

Type of service	2008/09	2009/10	2010/11
General Law enforcement			
Animals impounded	102	47	29
Motor vehicle licenses processed	26,992	27,235	27,400
Learner driver licenses processed	5,494	4,001	5,234
Driver licenses processed	2,068	2,460	3,193
Driver licenses issued	4,864	6,215	6,721
Fines issued for traffic offenses	28,774	13,080	23,171
R-value of fines collected	2,145,415	852,755	1,356,730
Operational call-outs	358	567	350
Complaints attended to by Traffic Officers	1,568	1,542	2,130
Special Functions – Escorts	81 (Funerals)	73 (Funerals)	61 (Funerals)
Fire Services			
Operational call-outs	1,072	1,198	823
Reservists and volunteers trained	0	0	16
Awareness initiatives on fire safety	47	47	51
Additional Medical Scenes	47	77	341



Type of service	2008/09	2009/10	2010/11
Town Planning and Building Control			
Building plans application processed	794	664	781
◦ Total surface (m ²)	81,896 m ²	30,264 m ²	127,659 m ²
◦ Approximate value	R450,433,500	R196,716,000	R957,442,500
New residential dwellings	281	192	215
Residential extensions	322	250	412
New Business buildings	33	41	29
Business extensions	96	24	43
Rural applications	51	43	48
Land use applications processed	108	150	145
Libraries			
Library members			30,173
Books circulated			423,332
Exhibitions held			36
Internet users			7,941
New library service points or Wheelie Wagons			Opening hrs extended from 4 to 8 @ Smutsville
Children programmes			40
Visits by school groups			180
Book group meetings for adults			24
Primary and Secondary Book Education sessions			160
Social Services			
Trees planted			75
2010/11			
Youngsters educated and empowered	<p>Total of 73 young people have been have been educated and empowered (basic computer literacy training, poverty eradication programme, home based care training and driver license learnerships programme)</p> <p>A number of young people also received training from STATSSA - Census 2011, we recruited about 350 young people for STATSSA</p>		
Initiatives to increase awareness on women	We also participated in the 16 Day against women and child abuse held by the SAPS		
Initiatives to increase awareness on HIV/AIDS	A major event was held in partnership with Lovelife in the build-up World Aids Day)		
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	A substance abuse campaign held in partnership with KDAC		
Special events hosted (World's Aids Day, World Arbour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)	1 Celebration held (Heritage Day)		



Type of service	2008/09	2009/10	2010/11
Local economic development initiatives			
Small businesses assisted			8
SMME's trained			42
Community members trained for tourism			5
Local artisans and crafters assisted			31
Recycling awareness programmes			1

Chapter 4 – Table 20: Additional Performance

4.7 LED

4.7.1 HIGHLIGHTS: LED

The following performance highlights with regard to the implementation of the LED strategy are:

Highlights	Description
Finalisation of Hornlee Taxi Holding Facility	Building of a Taxi Facility within Hornlee to accommodate taxis currently parking on private property.
Funding Grant for Rheenendal Prospects Agric Co-op	Co-op received a grant of R803 429 from NDA to grow the vermin-culture project
Facilitate opportunities to entrepreneurs in business	Provided new entrepreneurs with equipment to grow their businesses and create job opportunities
Develop proposals for economic opportunities	Developed proposals for job and business opportunities that will alleviate poverty

Chapter 4 – Table 21: LED Highlights

4.7.2 CHALLENGES: LED

The following challenges with regard to the implementation of the LED strategy are:

Description	Actions to address
Shortage of personnel within LED department	Appointment of a LED Manager and a LED officer allowing concentrated effort for implementation
Lack of buy-in from private sector	Have regular meetings with representation of private business, i.e. Knysna Chamber of Business and other non-registered business people.
Directorate and departmental isolation with an LED only perception	Revitalisation of LED forum to enhance networking amongst departments
Insufficient funding	Municipal funding is insufficient and additional funding from external sources will enhance roll-out of projects.

Chapter 4 – Table 22: Challenges LED

4.7.3 LED STRATEGY

Strategic areas	Description
Conducive environment	Knysna Municipality has a mandate to create an enabling environment for local economic development through activities such as town planning, procurement, etc. that will attract investment to the town.
Broadening the economic base	Knysna's economy focus on the service sector which will ultimately lead to the expansion of business and retail opportunities.
Increased accessibility	Ensuring that all inhabitants of the Greater Knysna will be benefiting from better access and improved services.
Infrastructure investment	Knysna's infrastructure needs to have sufficient carrying capacity that will meet the needs of the inhabitants. These investments will promote LED overall.
Wealth creation	Knysna's economy can only grow if more businesses and investment are introduced into the area. Opportunities would be created relating to specifically identified leading sectors with viable opportunities for SMME's.
Attracting visitors and investors	Knysna is a town that primarily depends on tourism and the promotion thereof. This industry needs investment and further development to ensure continuous growth.

Chapter 4 – Table 23: LED Strategic areas

The LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies
Increase accessibility	Upgrading of libraries for better communication
Infrastructure investment	Heidevallei affordable housing project
Wealth creation	Short stay accommodation
Broadening economic base	Local business Incubator
Attracting investment and visitors	Pedestrian pathways to promote non-motorised transport
Conducive LED environment	Green business hub/Garden refuse recycle project

Chapter 4 – Table 24: LED Objectives and Strategies

4.7.4 LED INITIATIVES

Description of project	No of Jobs created	Total Investment	Amount spent to date	Performance Highlights
Rheenendal Prospects Agric Co-op	16	KM: R50 000 NDA: R803 429	R50 000 R67 000	Establishment of a Co-operative that employed 10 unemployed people
Incubator	16	R500 000	R398 000	8 Businesses established giving employment to 16 unemployed
Small Contractor Development	50	Eden DM	n/a	10 Contractors accommodated in housing projects

Chapter 4 – Table 25: LED initiatives

4.8 ENVIRONMENTAL MANAGEMENT

4.8.1 ENVIRONMENTAL MANAGEMENT STRATEGY

Strategic areas	Description
Environmental Education	Awareness campaigns on specific environmental issues
Impact Assessments	Environmental Impact Assessment applications
Water Quality Monitoring	Monthly sampling of storm water drains and streams entering the lagoon
Environmental Law Enforcement	General environmental law enforcement in terms of specific legislation
Environmental Control and Management	Approval of excavations and land clearing permits
By-Laws and Policy Development	Development of environmental policies and by-laws

Chapter 4 – Table 26: Environmental Management Strategic areas

The LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies
A clean and healthy environment	Educational campaigns
Sustainable use of natural resources	Educational campaigns
Create effective by-laws	Develop by-laws
Conform to environmental legislation	Monitoring of all activities
Have clear and effective operational systems in place	Develop internal management systems

Chapter 4 – Table 27: Environmental Management Objectives and Strategies

4.8.2 ENVIRONMENTAL MANAGEMENT INITIATIVES

Description of project	No of Jobs created	Total Investment	Amount spent to date	Performance Highlights
Working for the Coast Programme	50	R500,000	R0	None
Khayaletu River Project	50	R600,000	R0	None

Chapter 4 – Table 28: Environmental Management initiatives

4.9 SERVICE PROVIDERS STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. According to AG's office:

- "Service provider" means a person or institution or any combination of persons and institutions which provide a municipal service
- "External service provider" means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality

- c) "Service delivery agreement" means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- the performance of each service provider
- a Comparison of the performance with targets set for and performances in the previous financial year; and
- measures taken to improve performance

The purpose of this section is to provide information related to the performance of external service providers. Only the most critical services providers in each directorate are listed.

The table below indicate service providers utilised according to functional areas:

- a) Executive and Council

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
Ignite	3 Years	SDBIP System	Excellent	n/a	n/a
		Audit Assist	Excellent	n/a	n/a
		Risk Register System	Good	n/a	n/a
		PMS System	Good	n/a	n/a
MeyerOtto	3 Years	Internal Audit	Excellent	n/a	n/a
		Risk Assessments	Excellent	n/a	n/a

Chapter 4 – Table 29: Service Providers Performance –Executive and Council

- b) Corporate Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
PABX	31 December 2013	Telephone System	Good	n/a	n/a
Collaborator Database Management	01 July 2011 to 30 June 2014	Document Management	Good	n/a	n/a
		Decision Management	Good	n/a	n/a
		Burial Management	Good	n/a	n/a

Chapter 4 – Table 30: Service Providers Performance – Corporate Services

c) Financial Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
Valuation Of Property	2008/2011	Valuation	Excellent	n/a	n/a
		Objections	Excellent	n/a	n/a
		Revaluation	Excellent	n/a	n/a

Chapter 4 – Table 31: Service Providers Performance – Financial Services

d) Planning and Development

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
Public Participation Phase of CBD Enhancement Strategy	3 months fixed fee	Effectiveness of communication, usefulness of output, timeous delivery	Very Good	Effective process and good product delivered on time	n/a
Business Process management for Building Control Department	4 months fixed fee	Fitness for purpose, user friendliness and timeous delivery and	Very Good	Well designed system installed, users trained and fine tuning attended to	n/a
IDP development	4 months fixed fee	Effectiveness of communication, usefulness of output, timeous delivery	Very good	Credible, well produced IDP	n/a
Human Settlement Development: Vision 2002	Existing contract pre-dating 2006	Good project management and housing support management	Very Good	Effective process and good product delivered on time	n/a
Human Settlement Development: Flenters	Existing contract pre-dating 2006	Good project management and housing support management	Very Good	Effective process and good product delivered on time	n/a
Contouring, design and layout of informal areas	Existing contract pre-dating 2006	Fit for purpose and timeous delivery	Very Good	Effective process and good product delivered on time	n/a

Chapter 4 – Table 32: Service Providers Performance – Planning and Development

e) Electrical Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
Maemsa Maintenance and operating energy saving street lighting	5 years	Keeping energy saving units functional	Excellent	n/a	n/a

Chapter 4 – Table 33: Service Providers Performance – Electrical Services



f) Technical Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
METSI CHEM Supply Of Chemicals	12 Months	Supply of chemicals for treatment of water and sewerage	Very Good	n/a	n/a
AURECON Professional Services	8 Months	Professional services for the upgrade of the Knysna waste water treatment works	Very Good	n/a	n/a
Construction Of Knysna Waste Water Treatment Works	8 Months	Upgrade of Knysna waste water treatment works	Very Good	n/a	n/a
Mechanical And Electrical Construction	6 Months	Mechanical and electrical upgrading of Eastford	Very Good	n/a	n/a
Emergency Water Services	10 Months	Professional services for emergency water projects	Very Good	n/a	n/a
Construction of Reservoir	8 Months	Construction of reservoir	Average	Punitive Measures	Punitive Measures
Knysna R.O. Plant	8 Months	Construct and commission r. O. Plant	Good	n/a	n/a
Upgrade Sisulu Street		Design street, procurement and monitor construction	Good	n/a	n/a
Hornlee Facility		Design facility, procurement and monitor construction	Good	n/a	n/a
Upgrade Welbedacht Lane		Design street, procurement and monitor construction	Good	n/a	n/a

Chapter 4 – Table 34: Service Providers Performance – Technical Services

Chapter 5
Functional Performance



CHAPTER 5: FUNCTIONAL PERFORMANCE

This chapter provides information on the functional performance of the municipality on the implementation of the Top Layer and Departmental SDBIP for 2010/11.

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes/No
Constitution Schedule 4, Part B functions:	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity reticulation	Yes
Fire fighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	Yes (on Municipal Land)
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	No
Facilities for the accommodation, care and burial of animals	No
Fencing and fences	Yes
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes



Municipal Function	Municipal Function Yes/No
Markets	Yes (on Municipal Land)
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Chapter 5 – Table 1: Functional Areas

5.1 PERFORMANCE HIGHLIGHTS PER FUNCTIONAL AREA

Directorate/ Functional area	Sub Directorate	Highlights
Executive and Council	Council	Unqualified Audit for 2009/2010.
		IDP review and budget approved before legislated deadline.
		Quarterly performance reviews in line with the approved SDBIP.
	Municipal Manager	Knysna Municipality ranked as third best performing municipality in local authority category by Municipal IQ (Web based independent Local Government monitoring and assessment service).
		Fully functioning Audit Committee.
		Performance agreements signed with all appointed section 57 appointees.
	Performance, Internal Audit and Risk Management	Implemented minutes for the quarterly SDBIP reviews.
		Appointment of external Internal Auditors (3 year project).
		Implementation of a online system for Audit Matters (containing all Audit related information, i.e. Audit Committee Minutes and Agendas, Auditor General Reports, Policies, etc.)
		Acquisition of an Internal/External query module to track issued queries.
		Implementation of a Risk Management system integrated with the SDBIP.
		Additional modules acquired Contract Management, Resolution Assist, Project Prioritisation and Complaints Assist.
Corporate Services	Administration	The Administration Department provides administrative support to Council, the Municipal Manager and the Directorate: Corporate Services to ensure that administrative processes take place in an environment which promotes productivity. The Department is therefore mainly responsible to promote smooth communication methods, by channelling all incoming and outgoing communications, whether received by mail, e-mail or telephone, to the official dealing with the matter.



Directorate/ Functional area	Sub Directorate	Highlights
Corporate Services	Administration	To modernise the flow of communication, an electronic document management program had been in all Directorates. The use of the system to compile agendas and minutes and to manage Council and committee decisions is in an advanced state of implementation and will be fully employed during the coming financial year.
		The other administrative support tasks of the department, which include inter alia the distribution of incoming mail, franking and posting of outgoing mail, general messenger work, management of the Corporate Building, control and management of posters and banners in terms of the relevant by-laws and management of grants-in-aid made by Council to welfare and other organisations, and managing the telephone system, are being dealt with on a continuous basis.
	Committee Services	This Committee Services Department ensures that Council, the Mayoral Committee and the standing committees meet regularly. Quality agendas are produced tabling items for consideration and information and accurate minutes of resolutions are recorded. Local Government Elections were held in May 2011 and 19 councillors were elected. In the year under review 41 meetings were held and 2665 agendas were produced. This section is also responsible for the effective implementation of Council decisions and proficient Committee support to Council, Mayoral Committee and Section 80 Committees.
		Councillor Support is an initiative to ensure that councillors are trained, capacitated and supported to perform their tasks as elected leaders of local communities. Logistics such as offices, telephones, stationery and agendas are provided. Training is given on all aspects of local governance. Councillors participate in structures outside of the municipality on behalf of Council, interface with organized local government and interface with communities with the guidance of committee services. The newly elected councillors have completed the first phase of Induction Training through SALGA, and the second phase is currently underway. Councillors have undergone Information Technology Training after receiving laptops. Full time and ward councillors have been allocated an office and all office requirements have been attended to.
	Human Resources	The municipality offered bursaries to local students to address the challenge of scarce skills. The first bursary student was appointed as a town planner in 2010. Knysna Municipality is on track on meeting the National Treasury requirements for meeting the minimum competency levels, the second group of officials will complete the programme before the end of 2012. The first group which started last year will attend a certificate ceremony in September for completing the first part of the programme
Legal Services	Savings made through reduced instructions to external attorneys , culminated in plans to capacitate the Legal Department through the provision of sufficient human resources , so as to ensure a more cost-effective and proficient in-house service. These plans have since been finalized, budgeted for and are ready for implementation at the beginning of the new financial year.	
Financial Services	Director: Financial Services	Ranked third best performing local authority in country by Municipal IQ.
		Unqualified Audit for 2009/2010.
	Budget Office	Reporting done in terms of the MBRR.
		GRAP compliance achieved.
		Only 4 of a possible 70 budget compliance measures were not achieved.
	Expenditure	No tenders awarded overturned after challenge.
		All creditors paid within 30 days.
		Overdraft not utilised during the year.
Payroll Management	All staff paid within month.	
Stores & Materials Management	Deviations reduced by 33%.	
	Stores complex up-grade begun.	



Directorate/ Functional area	Sub Directorate	Highlights
Financial Services	Income	96% payment levels achieved.
	Meter Reading	Meter reading adjustments all within target.
		Meter reading estimates all within target.
	Information Technology	IT policy implemented.
90% of viruses attended to within 4 hours.		
Planning and Development	Director: Planning & Development	Incorporation of LED and IDP departments contributed to greater synergy between departments, improved internal management ability and commitment, 100% spend on capital expenditure.
	Housing: Administration	Significant delivery of housing opportunities, additional DoRA allocation received, implementation and budget expenditure all complete by April 2011.
	Integrated Development Planning (IDP)	Acknowledged by PAWC and sector departments as credible IDP. IDP approved by council on 20 April 2011.
	Local Economic Development (LED)	Phase 1 of Incubator Project completed and second phase commenced, mentorships, learnerships and training programs resulted in opportunities for youth and women.
	Town Planning and Building Control	Elimination of all processing backlogs in Town Planning and Building Control.
		Steady reduction in processing time for Town Planning and Building Control Applications.
		Development of Business Process Management for Building Control.
		Adoption of Lower CBD Enhancement Strategy.
Extensive contribution to provincial legislative reform process.		
Community Services	Director: Community Services	The Library Soccer Tournament Legacy Project in Sedgefield.
		The building of the new Ox-Wagon Display.
		The Hosting of a successful IDOLS competition.
		The adoption of the SALGA Country Guidelines on HIV & AIDS.
		The launch of the Youth: Social Media Interface.
		The co-hosting of a Girlchild Camp [12-14 November 2010].
		The participation of Local Youth in the National Youth Conference [13-21 December 2010].
		The Training of 46 Law-Enforcement Officers as part of the Soccer World Cup Legacy in conjunction with the Hans Siedel Foundation.
	Number of event events approved: 90	
	Community Safety: Disaster management and Risk Mitigation	Disaster Management Plan for the Greater Knysna area approved by Council – In place.
	Community Safety: Fire	Rendering a 24hr service throughout the Greater Knysna area.
Community Safety: Law Enforcement	Increasing the number of Law Enforcement Staff to render a more effective service in all areas.	
Community Safety: Traffic	Increasing the number of Traffic Officials to render an effective service in all areas.	



Directorate/ Functional area	Sub Directorate	Highlights
Community Services	Community Safety: Vehicle Licensing and Testing	Decrease backlog in Vehicle License Section.
	Library	Successful migration to the new computerized library system for all libraries in the Greater Knysna.
		Reduction in stock losses.
	Museum & Heritage Buildings	Extension of Maritime display.
		Digitization of heritage photographs.
	Parks & Recreation	Completion of Alien Eradication in Hornlee.
		Removal of all dangerous trees in Oupad.
Play park in Hornlee have been upgraded – new equipment.		
Electrical Services	Electricity Administration	Ensuring that the administration remains excellent by utilising the existing staff component.
	Electricity Distribution	New 20MVA Transformer Intake SS Knysna - increased and firmed capacity.
		Phase one completed Nelson Street SS of creating increased capacity CBD.
Workshop and Depot	Ensuring turnaround time of vehicles remains within norms. Keeping vehicles operational within the budget.	
Technical Services	Director: Technical Services	New Director appointed 1 April 2011
	Civic Buildings	Council has concluded an agreement with PGWC for the construction of a health care centre at Masefundi and as part of the agreement a new fire station will be built.
	Public Works	All MIG allocation has been spent within the time frames. A PPP has been entered into with the home owners of Welbedacht for the construction of Welbedacht lane. The construction of Sisulu Street has commenced with labour intensive methods and under the EPWP.
		Knysna Municipality's first female supervisor/"foreman" has been appointed in the roads team.
	Sewerage	We started with the first Phase of Upgrading the Knysna Waste Water Treatment Works.
		Refurbish three Sewer Pump Stations and energised one Pump Station in Dam se Bos
		Replace 200m of Sewer Pumping Main in Remembrance Drive.
	Water	Completed the RO Plant in Knysna.
Upgrade the Water Works in Sedgfield and Completed the Gravity Main Feeding the Bosdorp, in Karatara.		
Constructed a new 3MI Reservoir at Old Place, Knysna.		

Chapter 5 – Table 2: Performance highlights per functional area

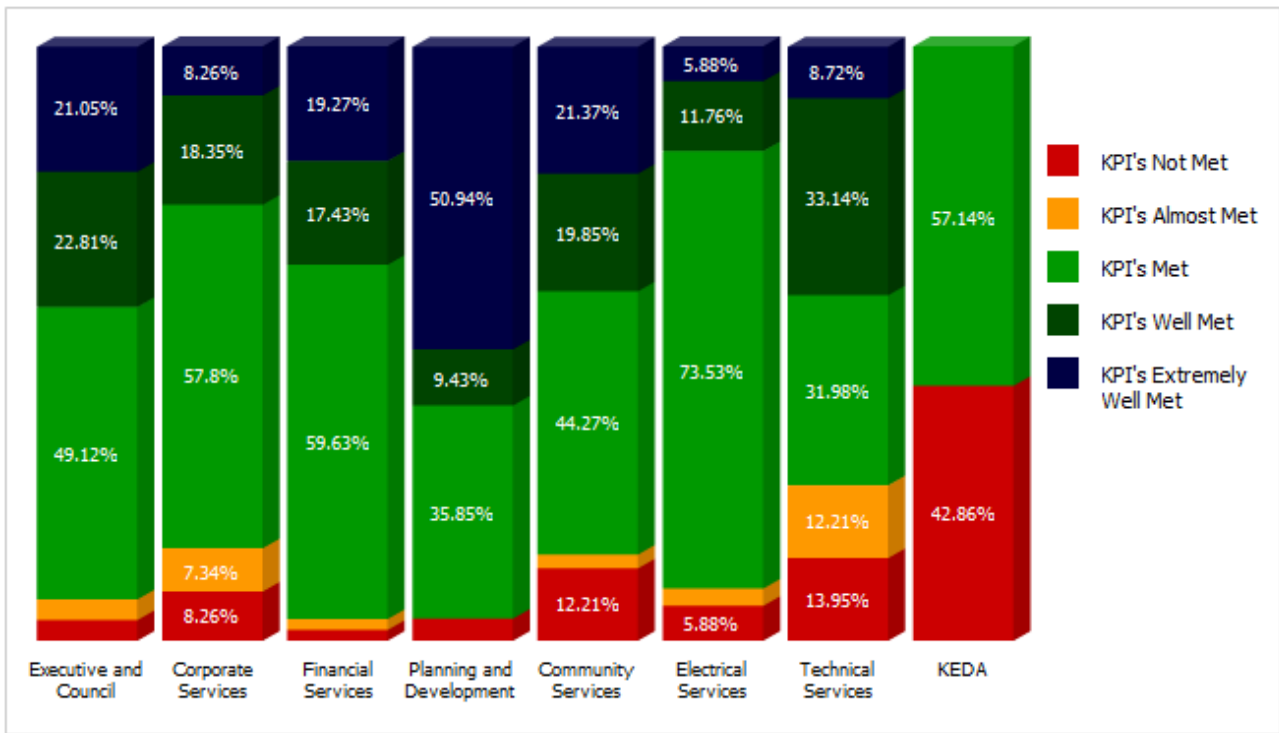
5.2 OVERVIEW OF PERFORMANCE

The performance statistics in the table below and all the graphs in the following sub-paragraphs include performance in terms of the Departmental SDBIP, which measures operational performance, as well as, the performance in terms of the Top Layer SDBIP. The graph for each directorate is an overview of the overall results of all the KPIs measured in terms of the municipal SDBIP performance management system.

Directorates	% Performance 2009/10	Total	KPIs Extremely Well Met	KPIs Well Met	met	almost met	not met	% Performance 2010/11
Executive and Council	89	57	12	13	28	2	2	93
Corporate Services	87	109	9	20	63	8	9	84
Financial Services	79	109	21	19	65	2	2	96
Planning and Development	91	53	28	26	19	0	2	96
Community Services	75	131	27	5	58	3	16	86
Electrical Services	87	68	4	8	50	2	4	91
Technical Services	87	172	15	57	55	21	24	74
Strategic Services	35	Disbanded						
KEDA	-	0	0	0	4	0	3	57
Municipality Entity	79	699	116	148	338	38	59	86

Chapter 5 – Table 3: Summary of total performance

The following graph indicates the overall results of all the KPIs measured of the various directorates in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 1: Overall performance of directorates

5.3 PERFORMANCE PER FUNCTIONAL AREA (DEPARTMENTAL/OPERATIONAL SDBIP)

5.3.1 EXECUTIVE AND COUNCIL

This function (directorate) consists of the following sub functions (sub directorates):

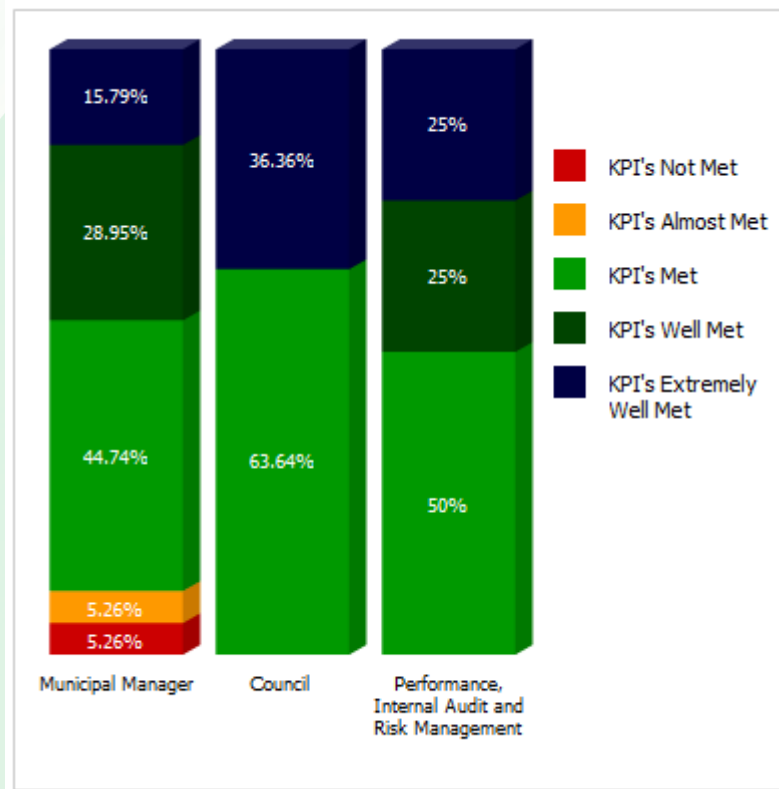
- Council
- Municipal Manager
- Performance, Internal Audit and Risk Management

The Operational Key Performance Indicators for Executive and Council are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Customer Care
		Develop a sustainable IDP based budget that is compliant with the provisions of the MFMA
		Development of a comprehensive Integrated Development Plan
		Development of an effective performance management system
		Effective Performance Reporting
		Ensure compliance with legal provisions both by the municipality and external role players
		Ensure that adequate human resource capacity is provided for improved service delivery
Good Governance and Public Participation	A Dynamic and Welcoming Town	Ensure that optimum administrative standards are maintained
		Ensure that optimum ethical standards are maintained
		Ensure that reliable & accurate support is provided to the Statutory structures of Knysna Municipality
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Financial Compliance and Good Practice
		Financial management, Programme management, Engineering and Organisational development
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Ensure that adequate human resource capacity is provided for improved service delivery
		Knysna 2020 Social Dialogue
		Safe, Healthy and Well Trained Staff
Municipal Financial Viability and Management	A Successful and Respected Town / A Town Prepared for the Future	Business Process Improvement
		Develop a sustainable IDP based budget that is compliant with the provisions of the MFMA
		Ensure efficient and effective utilization of limited resources that the Municipality has
		Ensure that optimum administrative standards are maintained
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Ensure progressive procurement geared at ensuring that previous disadvantaged communities benefit from municipal the budget
		Financial Compliance and Good Practice
Basic Service Delivery	A Reliably Functioning Town	Ensure that optimum administrative standards are maintained

Chapter 5 – Table 4: Functional alignment – Executive and Council

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Executive and Council directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 2: Executive and Council directorate departmental performance

5.3.2 CORPORATE SERVICES

This function (directorate) consists of the following sub functions (sub directorates):

- Director: Corporate Services
- Administration
- Committee Services
- Human Resources
- Legal Services
- Public Participation
- Records, Contracts and Insurance Claims

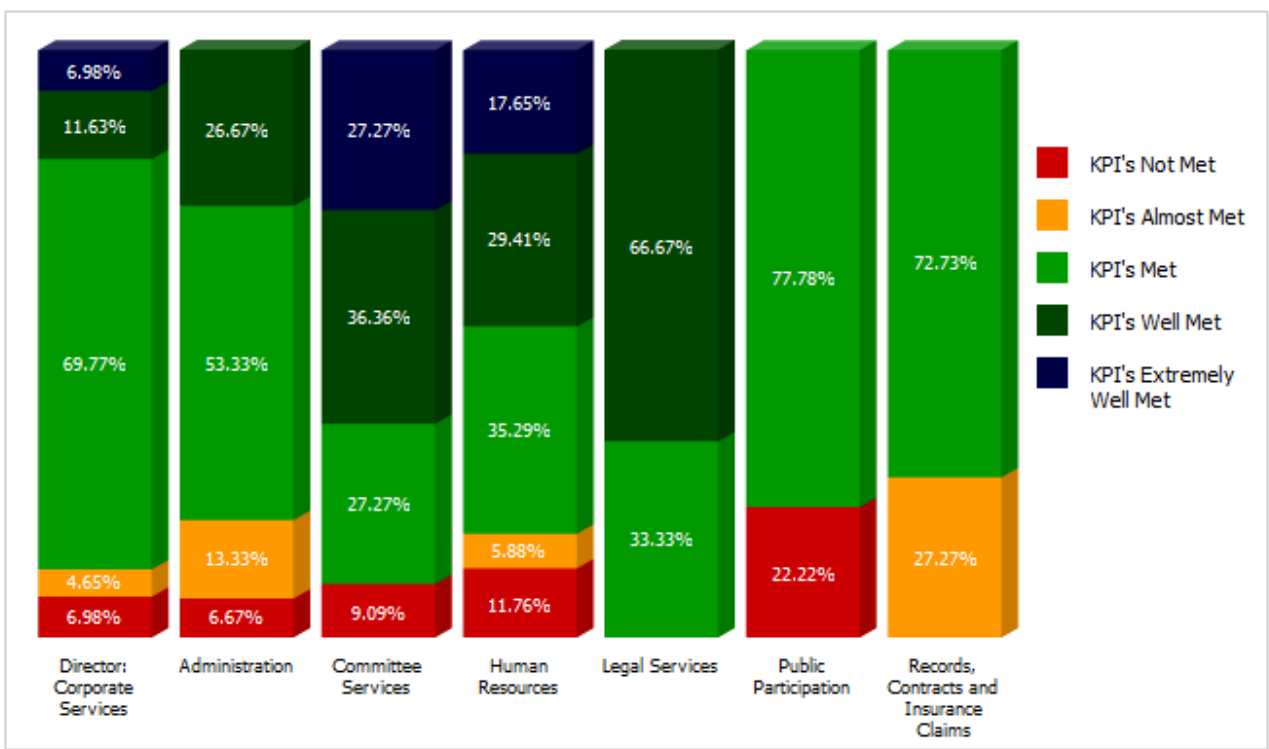
The Operational Key Performance Indicators for Corporate Services are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:



National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Community Development Workers Structure aligned with the town management and ward committee structure
		Customer Care
		Ensure compliance with legal provisions by Municipality and external role players and ensure Municipalities enforcement capacity is enhanced
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that optimum administrative standards are maintained
		Ensure that optimum service standards are maintained
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna Municipality
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna Municipality
		Good governance
		Performance Management
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Ensure compliance with legal provisions by Municipality and external role players and ensure Municipalities enforcement capacity is enhanced
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that appropriate systems are in place for property management, records and insurance
		Ensure that optimum administrative standards are maintained
		Ensure progressive procurement geared at ensuring that previous disadvantaged communities benefit from municipal the budget
		Good governance
		Knysna 2020 Social Dialogue
		Safe, Healthy and Well Trained Staff
Municipal Financial Viability and Management	A Successful and Respected Town / A Town Prepared for the Future	Business Process Improvement
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Financial Compliance and Good Practice
		Long Term Financial Prosperity
Local Economic Development	A Caring and Content Town	To realise agricultural potential of Knysna, by providing economic growth for the poor areas and rural communities
Basic Service Delivery	A Reliably Functioning Town	Ensure that appropriate systems are in place for property management, records and insurance
		Ensure that optimum administrative standards are maintained
		Ensure that optimum service standards are maintained

Chapter 5 – Table 5: Functional alignment – Corporate Services

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Corporate Services directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 3: Corporate directorate departmental performance

5.3.3 FINANCIAL SERVICES

This function (directorate) consists of the following sub functions (sub directorates):

- Director: Financial Services
- Budget Office
- Expenditure
- Payroll Management
- Stores & Materials Management
- Income
- Meter Reading
- Information Technology

The Operational Key Performance Indicators for Financial Services are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

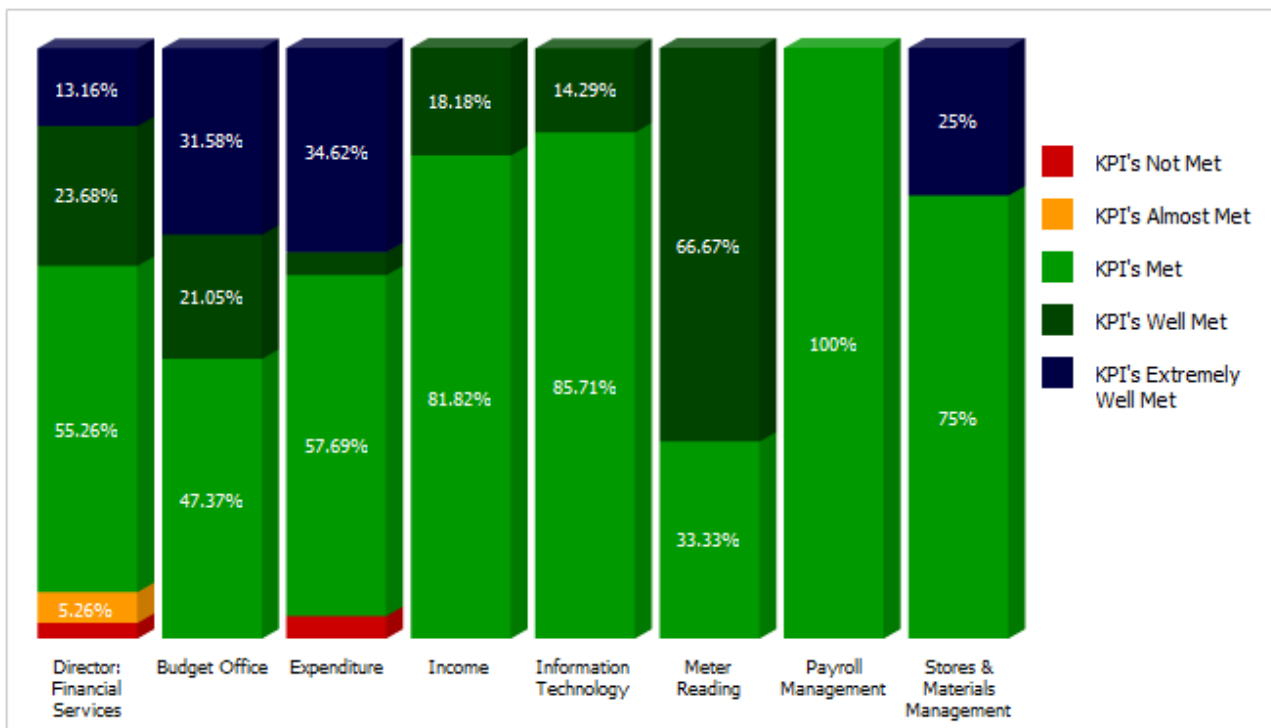
National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Customer Care
		Ensure that optimum administrative standards are maintained
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Business Process Improvement
		Efficient reporting and communication system utilised
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that appropriate systems are in place for property management, records and insurance
		Ensure that optimum administrative standards are maintained
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna Municipality
Municipal Financial Viability and Management	A Successful and Respected Town / A Town Prepared for the Future	Knysna 2020 Social Dialogue
		Business Process Improvement
		Develop a sustainable IDP based budget that is compliant with the provisions of the MFMA
		Ensure efficient and effective utilization of limited resources that the Municipality has
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Facilitate the external audit plan
		Financial Compliance and Good Practice
		Financial management, Programme management, Engineering and Organisational development
		Plans, policies and regulations
Review all tariffs i.t.o act 12 of 2007		
Social Development and Community Safety		



National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Local Economic Development	A Caring and Content Town	Promotion of PDI economic empowerment
Basic Service Delivery	A Reliably Functioning Town	Ensure that optimum administrative standards are maintained
		Ensure that optimum service standards are maintained
		Ensure that the financial viability of the greater Knysna is sustainable for future growth

Chapter 5 – Table 6: Functional alignment – Financial Services

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Financial Services directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 4: Financial Services departmental performance

5.3.4 PLANNING AND DEVELOPMENT

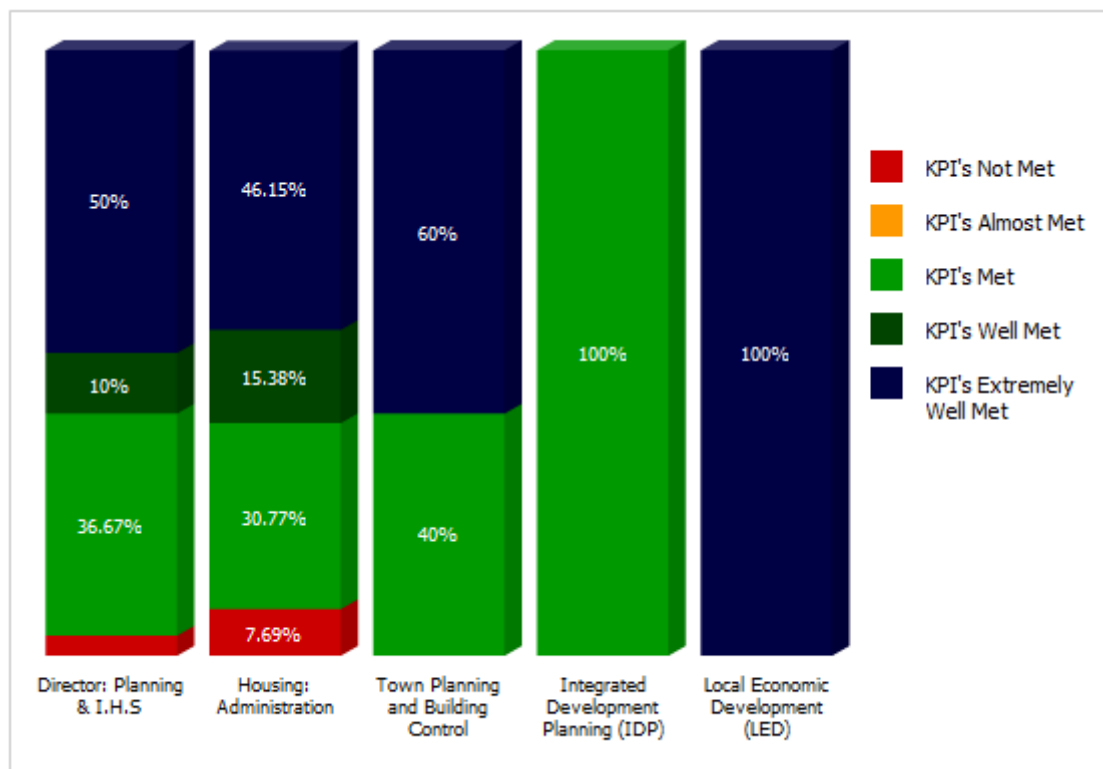
This function (directorates) consists of the following sub functions (sub directorates):

- Director: Planning & Development
- Housing: Administration
- Integrated Development Planning (IDP)
- Local Economic Development (LED)
- Town Planning and Building Control
- Environmental Management

The Operational Key Performance Indicators for Planning and Development are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Customer Care
		Ensure that optimum administrative standards are maintained
		Knysna 2020 Social Dialogue
		Plans, policies and regulations
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Safe, Healthy and Well Trained Staff
		Knysna 2020 Social Dialogue
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that optimum administrative standards are maintained
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna Municipality.
		Ensure adequate capacity to diligently discharge its responsibility with regard to building control
Municipal Financial Viability and Management	A Successful and Respected Town / A Town Prepared for the Future	Business Process Improvement
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Financial Compliance and Good Practice
Local Economic Development	A Caring and Content Town	Local Business Growth
		Provision of safe, affordable and decent accommodation
Basic Service Delivery	A Reliably Functioning Town	Bulk Infrastructure
		Business Process Improvement
		Safe, Healthy and Well Trained Staff
		Ensure adequate capacity to diligently discharge its responsibility with regard to building control
		Ensure proper & functional framework is developed for the successful preservation of Knysna's pristine environment
		Ensure that optimum administrative standards are maintained
		Provide adequate, safe and affordable water and sanitation resource to its communities
Provision of safe, affordable and decent accommodation		

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Planning and Development directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 5: Planning and Development directorate departmental performance

5.3.5 COMMUNITY SERVICES

This function (directorate) consists of the following sub functions (sub directorates):

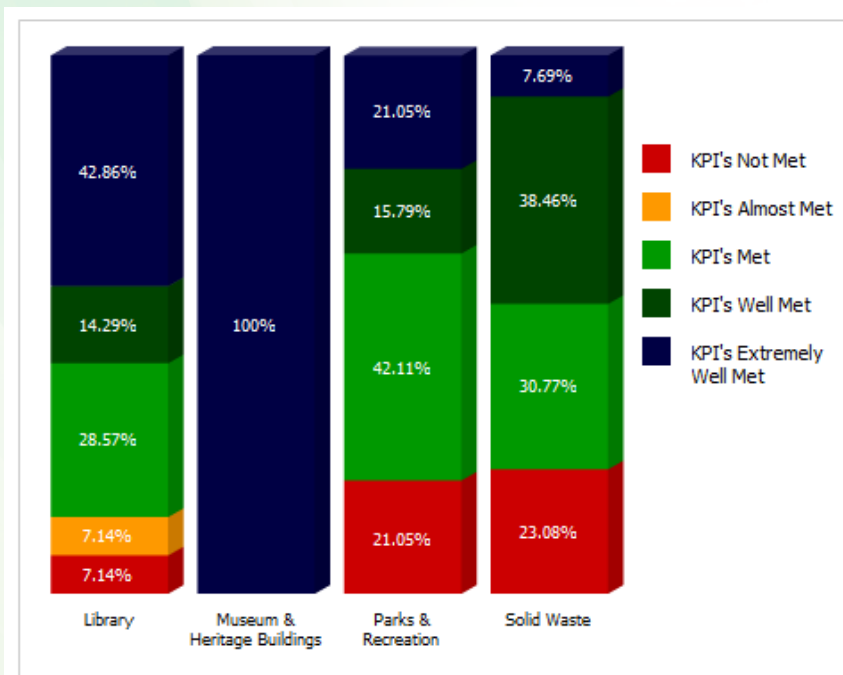
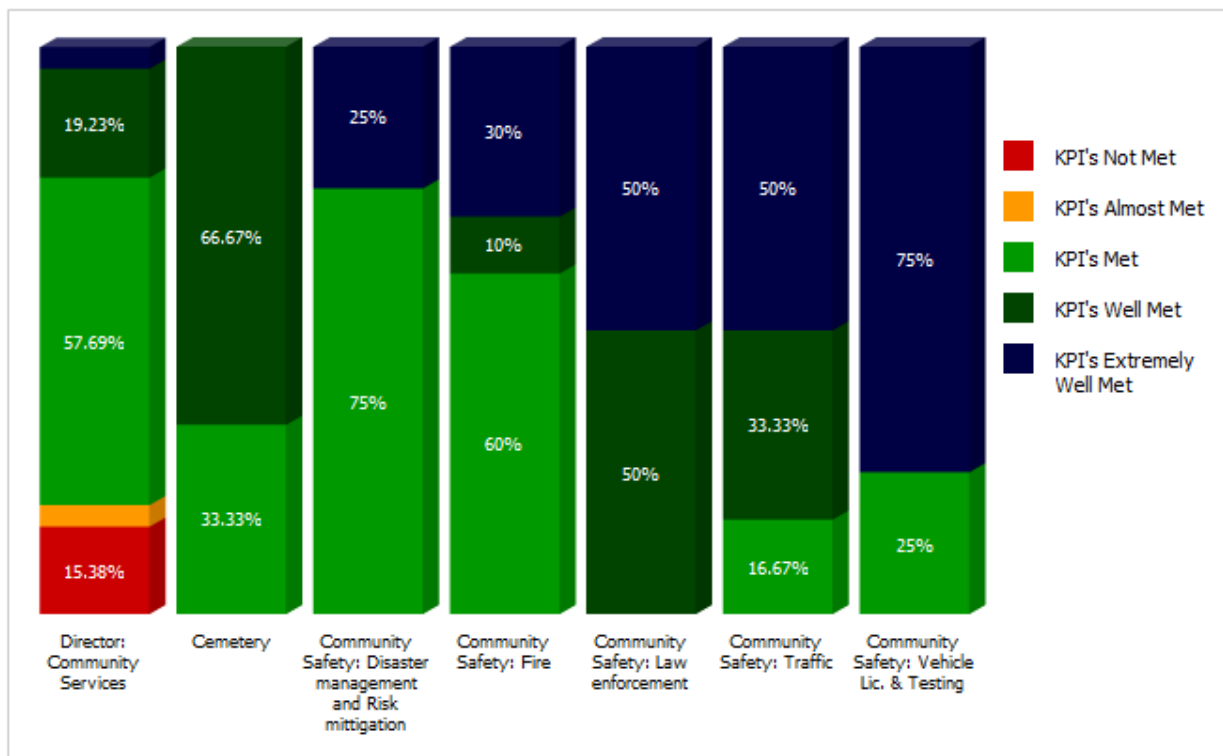
- Director: Community Services
- Cemetery
- Solid Waste
- Community Safety: Disaster management and Risk Mitigation
- Community Safety: Fire
- Community Safety: Law Enforcement
- Community Safety: Traffic
- Community Safety: Vehicle Licensing and Testing
- Library
- Museum & Heritage Buildings
- Parks & Recreation

The Operational Key Performance Indicators for Community Services are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Customer Care
		Ensure that optimum administrative standards are maintained
		Ensure that a systematic and compressive response is designed to reduce the spread of HIV/AIDS within Knysna
		Render an efficient and effective traffic service
		Social Development and Community Safety
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that optimum administrative standards are maintained
		Ensure that progressive procurement geared at ensuring that the previously disadvantaged communities are benefiting from the municipal budget
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Knysna 2020 Social Dialogue
		Provision of reliable firefighting infrastructure
		Safe, Healthy and Well Trained Staff
		Social Development and Community Safety
Municipal Financial Viability and Management	A Successful and Respected Town/ A Town Prepared for the Future	Business Process Improvement
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Financial Compliance and Good Practice
Local Economic Development	A Caring and Content Town	Community Development Workers Structure aligned with the town management and ward committee structure
		Ensure the interests of youth, women and disabled are adequately safeguarded
Basic Service Delivery	A Reliably Functioning Town	Collect, record, preserve and promote Knysna's diverse history
		Deliver an effective and efficient waste management service
		Develop and implement a comprehensive law enforcement strategy for the Greater Knysna area
		Ensure that optimum administrative standards are maintained
		Ensure that optimum service standards are maintained
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Provision of reliable firefighting infrastructure
		Render an efficient and effective cemetery service
		Render an efficient and effective traffic service
		Social Development and Community Safety
		Targeted development of deprived areas
		To pursue targeted upgrade of sport facilities
		To render an efficient library service to the communities and visitors of Knysna
		To render an efficient service to the communities and visitors utilising Knysna sport facilities
To render an efficient service to the communities and visitors utilising the halls and facilities of Knysna		

Chapter 5 – Table 8: Functional alignment – Community Services

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Community Services directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 6: Community Services directorate departmental performance

5.3.6 ELECTRICAL SERVICES

This function (directorate) consists of the following sub functions (sub directorates):

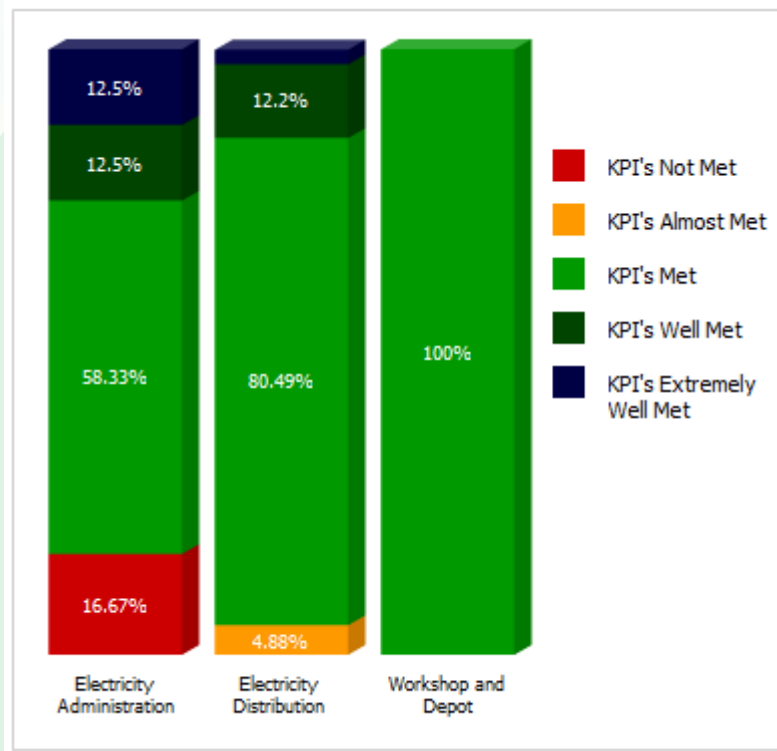
- Electricity Administration
- Electricity Distribution
- Workshop and Depot

The Operational Key Performance Indicators for Electricity Services are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Customer Care
		Ensure that optimum administrative standards are maintained
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that optimum administrative standards are maintained
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna Municipality
		Ensure progressive procurement geared at ensuring that previous disadvantaged communities benefit from municipal budget
		Knysna 2020 Social Dialogue
		Safe, Healthy and Well Trained Staff
Municipal Financial Viability and Management	A Successful and Respected Town/ A Town Prepared for the Future	Business Process Improvement
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Knysna must extend services to the poor and ensure cap. of existing Electricity infrastructure is enhanced to absorb rapid growth
Basic Service Delivery	A Reliably Functioning Town	Bulk Infrastructure
		Ensure that optimum administrative standards are maintained
		Ensure that optimum service standards are maintained
		Ensure progressive procurement geared at ensuring that previous disadvantaged communities benefit from municipal budget
		Exploring Service Partnerships
		Extend electrical services to the poor
		Extend services to the poor and ensure the capacity is enhanced in order absorb the rapid growth
		Knysna must extend services to the poor and ensure cap. of existing Electricity infrastructure is enhanced to absorb rapid growth

Chapter 5 – Table 9: Functional alignment – Electrical Services

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Electrical Services directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 7: Electrical Services departmental performance

5.3.7 TECHNICAL SERVICES

This function (directorate) consists of the following sub functions (sub directorates):

- Director: Technical Services
- Civic Buildings
- Public Works
- Sewerage
- Water

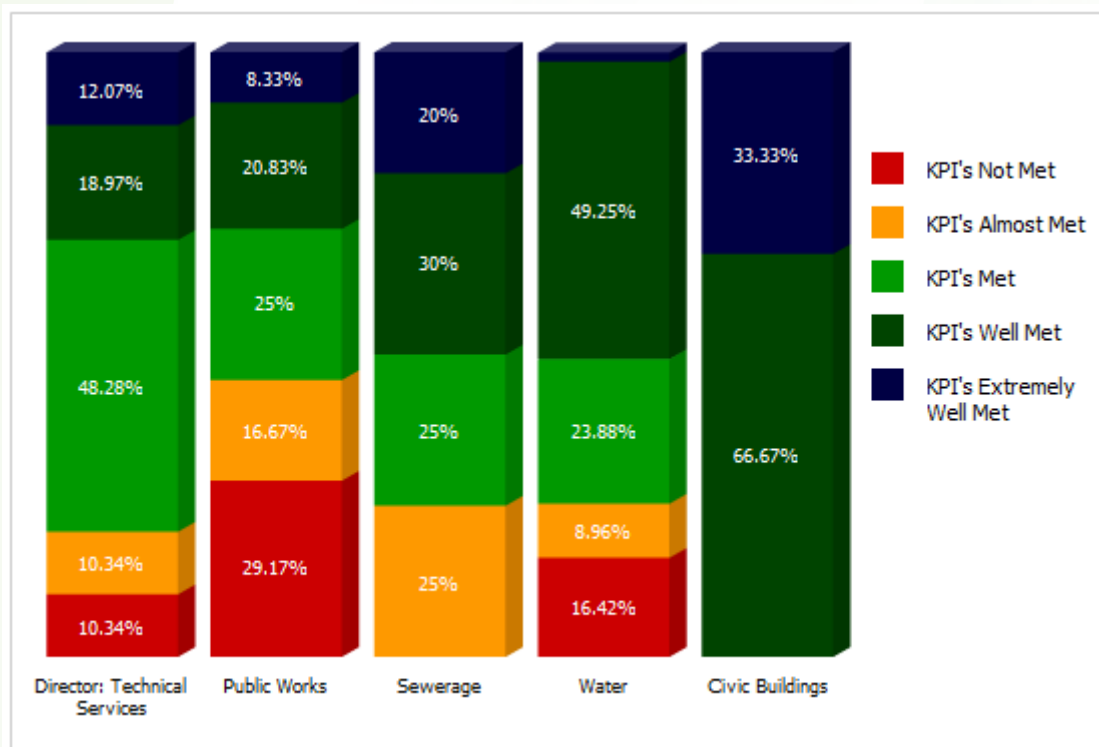
The Operational Key Performance Indicators for Technical Services are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Good Governance and Public Participation	A Dynamic and Welcoming Town	Customer Care
		Ensure that optimum administrative standards are maintained
Municipal Transformation and Institutional Development	A Successful and Respected Town/ A Town Prepared for the Future	Safe, Healthy and Well Trained Staff
		Knysna 2020 Social Dialogue
		Effective Performance Reporting
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that optimum administrative standards are maintained
		Ensure that reliable and accurate support is provided to the Statutory structures of Knysna Municipality
		Ensure progressive procurement geared at ensuring that previous disadvantaged communities benefit from municipal budget
Municipal Financial Viability and Management	A Successful and Respected Town/ A Town Prepared for the Future	Business Process Improvement
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that the financial viability of the greater Knysna is sustainable for future growth
		Ensure the implementation of the internal audit plan
		Financial Compliance and Good Practice
		Ensure that Knysna Municipality adequately maintain its road infrastructure regravelling
		Ensure that Knysna Municipality adequately maintains its road infrastructure resealing
		Provide adequate, safe and affordable water and sanitation resource to its communities
		Ensure that Knysna Municipality adequately maintains its water infrastructure
		Ensure that Knysna Municipality adequately maintains its Civic Buildings
Local Economic Development	A Caring and Content Town	Promotion of PDI economic empowerment
Basic Service Delivery	A Reliably Functioning Town	Bulk Infrastructure
		Ensure adequate, safe and affordable water and sanitation resource to all its communities
		Ensure road network capacity by providing adequate stormwater drainage systems
		Ensure road network capacity, providing adequate side walk infrastructure labour intensive projects
		Ensure sufficient road network capacity to withstand adverse conditions and insurmountable pressure
		Ensure that adequate human resource capacity is provided for improved service delivery
		Ensure that Knysna Municipality adequately maintains its road infrastructure
		Ensure that Knysna Municipality adequately maintains its water infrastructure
		Ensure that Knysna Municipality provides adequate road infrastructure

National Key and Municipal Performance Area	IDP Strategic Objectives	IDP Programmes
Basic Service Delivery	A Reliably Functioning Town	Ensure that optimum administrative standards are maintained
		Ensure that optimum service standards are maintained
		Financial Compliance and Good Practice
		Financial viability and expenditure monitoring in regards to the approved operational budget
		Provide adequate, safe and affordable water and sanitation resource to its communities

Chapter 5 – Table 10: Functional alignment – Technical Services

The following graph indicates the overall results of all the KPIs measured of the various sub-directorates within the Technical Services directorate in terms of the municipal SDBIP performance management system



Chapter 5 – Graph 8: Technical Directorate department performance

Chapter 6
Financial Performance



CHAPTER 6: FINANCIAL PERFORMANCE

6.1 FINANCIAL SUSTAINABILITY

A) NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

KPA & INDICATOR	2007/08	2008/09	2009/10	2010/11	Comments
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	-	-	10.02	11.69	Operating grants = total transfer revenue
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	19%	21%	22%	21%	Total outstanding service debtors = revenue from exchange transactions less provision for impairment Revenue received for services = service charges plus rentals of facilities
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	2.5:1	2.1:2	1.1:1	2.3:1	Available cash and investments = cash and cash equivalents Monthly fixed operating expenditure is calculated per schedule SA8 of the Municipal Budget and Reporting Regulations for the Annual Budget

Chapter 6 – Table 1: National KPIs for financial viability and management

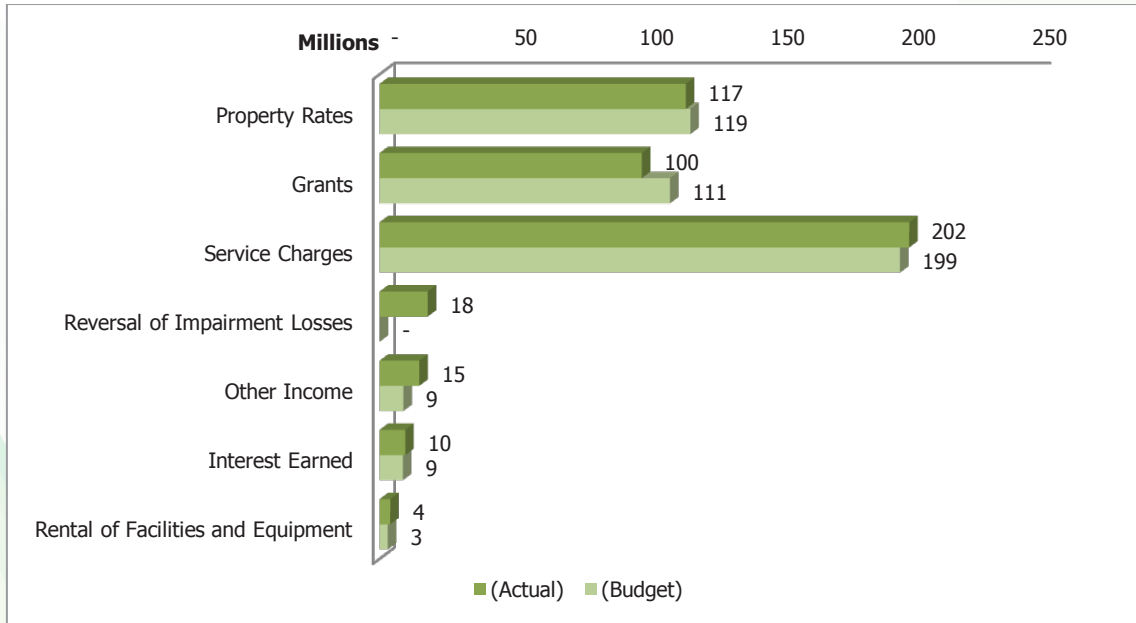
6.1.1 OPERATING RESULTS

The table below shows a summary of performance against budgets

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000	R'000	R'000		R'000	R'000	R'000	
2007/08	323,380	294,312	(29,068)	(8.99)	273,079	281,499	(8,420)	(3.08)
2008/09	344,235	352,110	7,875	2.29	334,409	327,208	7,201	2.15
2009/10	433,216	455,430	22,214	5.13	363,056	376,093	(13,037)	(3.59)
2010/11	448,841	466,159	17,318	3.86	427,347	404,348	22,999	5.38

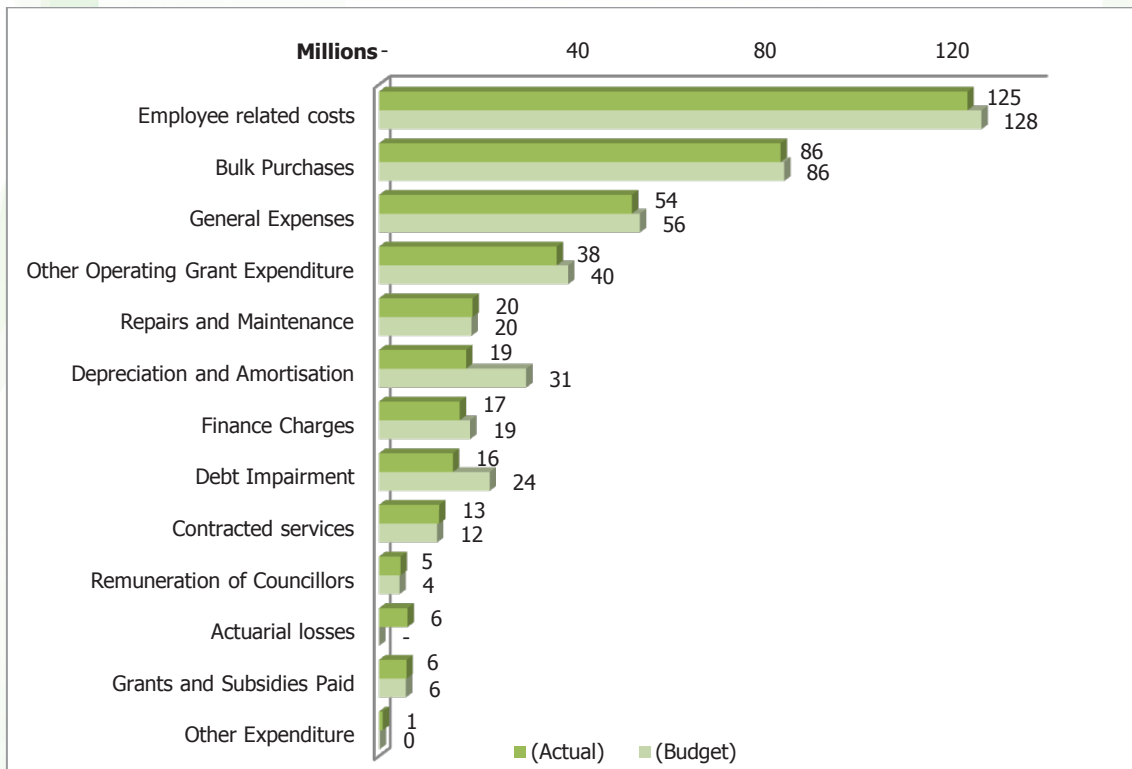
Chapter 6 – Table 2: Performance against budgets

The following graph indicates the various types of revenue items in the municipal budget for 2010/11 (Annexure D (1) AFS)



Chapter 6 – Graph 1: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2010/11 (Annexure D(1) AFS)



Chapter 6 – Graph 2: Operating expenditure

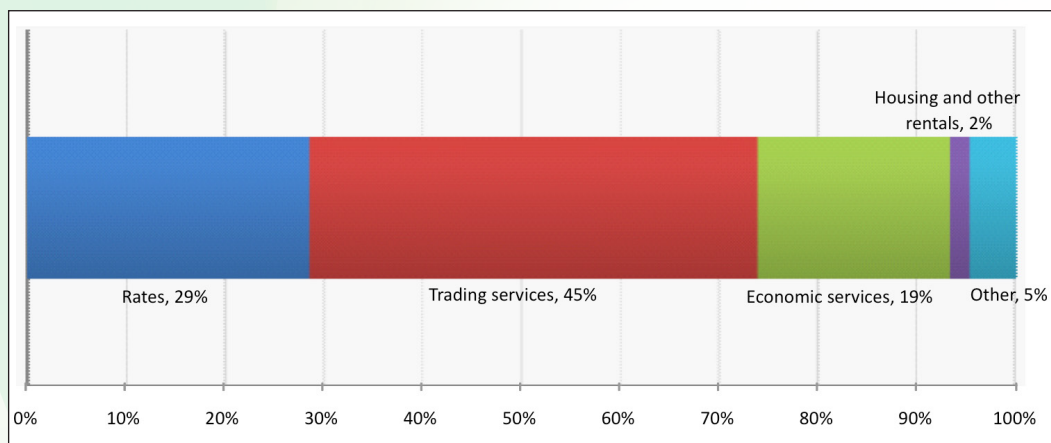
6.1.2 OUTSTANDING DEBTORS

A) GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing and other rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000	R'000	R'000	R'000	R'000	R'000
2008/09	16,399	28,650	16,322	2,618	4,762	68,751
2009/10	25,058	36,787	16,863	3,188	4,316	86,211
2010/11	28,312	44,828	19,263	1,954	4,689	99,046
Difference	3,254	8,041	2,400	(1,234)	373	12,834
% growth year on year	13	22	14	(39)	9	15

Chapter 6 – Table 3: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2010/11



Chapter 6 – Graph 3: Debt per type of service

B) TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2008/09	19,307	7,212	2,889	39,343	68,751
2009/10	23,370	7,362	3,551	51,929	86,212
2010/11	33,979	6,145	13,078	45,844	99,046
Difference	10,609	(1,217)	9,527	6,085	12,834
% growth year on year	45	(17)	268	(12)	15

Chapter 6 – Table 4: Service debtor age analysis

Note: Figures exclude provision for bad debt

6.1.3 VIABILITY INDICATORS

A) LEVEL OF RELIANCE ON GRANTS AND SUBSIDIES

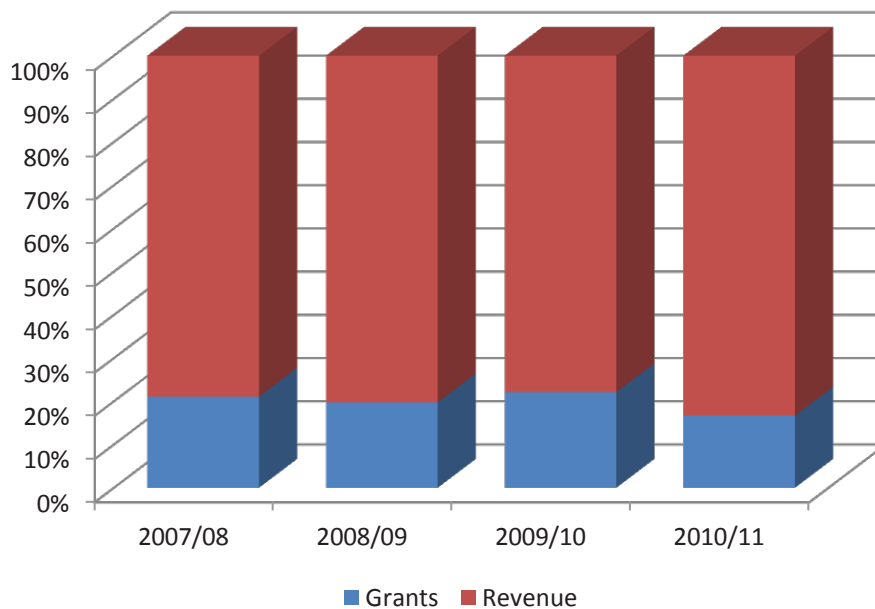
Financial year	Total grants and subsidies received (R'000)	Total Operating Revenue (R'000)	Percentage (%)
2007/08	79,379	296,677	26.76
2008/09 *	86,179	349,418	24.66
2009/10 *	126,927	445,835	28.50
2010/11	100,840	503,156	20.04

** Prior year comparatives have been amended to include restatements*

Chapter 6 – Table 5: Reliance on grants

This indicator is prejudiced as the disaster and housing grants (unfunded mandate) are included. The indicator measures total grants against operating revenues including capital transfers. Should the disaster and housing grants be excluded the percentages would drop to 11% for 2009/10 and 9% for 2010/11.

The following graph indicates the municipality’s reliance on grants as percentage for the last three financial years



Chapter 6 – Graph 4: Reliance on grants as 20.04%



B) LIQUIDITY RATIO

Financial year	Net current assets (R'000)	Net current liabilities (R'000)	Ratio
2007/08	87,676	89,384	0.98:1
2008/09	118,345	95,222	1.24:1
2009/10	101,894	82,030	1.24:1
2010/11	129,475	88,941	1.46:1

Chapter 6 – Table 6: Liquidity ratio

6.1.4 AUDITED OUTCOMES

Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Outcome	Unqualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified

Chapter 6 – Table 7: Audit outcomes

The following table provides the details on the audit outcomes for the past three financial years with the correctives steps implemented:

2008/09	
Issue raised	Corrective step implemented
Emphasis of matter:	
Amendments to the applicable basis of accounting	Issue has been addressed
Material losses (Water Distribution)	These were in regard to water and it should be pointed out that Knysna's water losses are well within the norm expected within both developed and developing countries
Events after the reporting date	Issue has been addressed
Restatement of corresponding figures	Issue has been addressed
Material under spending on the budget	This is explained within the statements and is with respect a misnomer on the part of the Auditor-General.



2008/09	
Issue raised	Corrective step implemented
<u>Matters of Governance</u>	
<u>Non compliance with regulatory requirements:</u>	
<p>1. The municipality's performance management system policy framework does not in all instances comply with the Local Government; Municipal Planning and Performance Regulations, 2001, issued in GNR.796 of 24 August, as:</p> <p>a) The framework does not specifically state that the performance targets must be practical and realistic as required by section 12 (2) of the regulation.</p> <p>b) The framework does not specifically indicate that the key performance indicators must be reviewed annually as required by section 11 (1) of the regulation.</p> <p>c) The framework does not specifically indicate that whenever the integrated development plan is amended, the key performance indicators that will be affected by such amendments must also be reviewed as required by section 11(2) of the regulation</p> <p>d) The framework does not state the importance of the set targets being commensurate with available resources and the municipality's capacity as required by section 12 (1) of the regulations</p>	<p>Appointing an official to handle inter alia the finalization of a PMS, including electronic performance measurement, for presentation to the Council. And to administer the system. To monitor the implementation of Audit Committee recommendation adopted from time to time by Council</p> <p>The performance management process will be integrated.</p>
<p>2. Directors set their own targets which are not clearly linked to the service delivery and budget implementation plan, which result in the targets not being in line with the priorities, objectives, indicators and targets contained in the integrated development plan, as required by section 38 (a) (iii) of the MSA</p>	<p>Subject the financial statements to a quarterly review before they are submitted for auditing, while the internal audit unit and audit committee can play a crucial role in the review process of the financial statements</p>
<p>3. The municipality did not display an advertisement to the local community offering them an opportunity to comment on the draft integrated development plan, as required by section 15 of the regulation</p>	<p>Performance management also fulfils the implementation, management, monitoring and evaluation of the IDP.</p>
<p>4. The revised service delivery and budget implementation plan was not approved by the council, as required by section 54 (1) (c) of the MFMA, after changes had been made to the budget</p>	<p>Develop a strategy that has the overall aim to improve financial management controls relating to compliance with accounting standards and reconciliation and maintenance of underlying records, in order to produce accurate financial statements</p>

Chapter 6 – Table 8: 2008/09 Detail on audit outcomes



2009/10	
Issue raised	Corrective step implemented
<u>Emphasis of matter:</u>	
Material losses (Water Distribution)	These were in regard to water and it should be pointed out that Knysna's water losses are well within the norm expected within both developed and developing countries
Material under spending on the budget	This is explained within the statements and is with respect a misnomer on the part of the Auditor-General.
Restatement of corresponding figures	Some of these had to do with the on-going GRAP implementation. Others were errors which were corrected.
Significant uncertainties	These are commonly known as contingent liabilities and are disclosed in the statements.
<u>Matter of Governance</u>	
<u>Non compliance with regulatory requirements:</u>	
Lack of effective, efficient and transparent systems and internal controls regarding performance management	<p>It is accepted that there are issues regarding performance information and management still requiring further work but these are mainly to do with the mechanics of the system rather than the principles behind performance management. In the absence of a national system or even appropriate national guidelines the Auditor-General recently stated that as far as non-metros are concerned performance issues will continue to be shown as is until "the environment shows a state of readiness".</p>
No service delivery agreement	
No reporting against predetermined objectives, indicators and targets	
For the selected objectives the validity, accuracy and completeness of the actual performance reported by the municipality on housing could not be established as sufficient appropriate audit evidence and/ or relevant source documentation could not be provided for audit purpose	
None of the targets set by the municipality for the objectives selected were aligned between the integrated development plan and the service delivery and budget implementation plan.	
Contrary to section 93j of the MSA, A chief executive officer was not appointed and consequently the municipal entity did not have an accounting officer as referred to in section 93 of the MFMA	<p>The Agency is in the pre establishment phase and this should be concluded January 2011 where after all requirements should be met.</p>
The annual financial statements for the municipal entity were submitted on 30 September 2010 and not within two months after the end of the financial year as required by section 126 (2) of the MFMA	
Contrary to section 87. 88 and 100 of the MFMA, an annual budget or performance assessment was not prepared by the municipal entity	
Internal reports or minutes of reporting by the municipal entity to the council on expenditure incurred by the entity on directors and staff remuneration could not be presented to confirm compliance with section 89 of the MFMA	

Chapter 6 – Table 9: 2009/10 Detail on audit outcomes



2010/11	
Issue raised	Corrective step implemented
Emphasis of matter:	
<u>Significant uncertainties</u>	These are commonly known as contingent liabilities and are disclosed in the statements.
Restatement of corresponding figures	Most of the restatements relate to the on-going implementation of GRAP specifically the unbundling of assets. Others were errors which were corrected.
Additional Matters	
Material inconsistencies in other information included in the annual report	
Report on Other Legal and Regulatory Requirements	
Predetermined objectives	
Compliance with laws and regulation	
Reliability of Information	
Compliance with laws and regulation	
Expenditure management	
Procurement and contract management	
Asset management	
Internal control	
Leadership	
Financial Management	

Chapter 6 – Table 10: 2010/11 Detail on audit outcomes

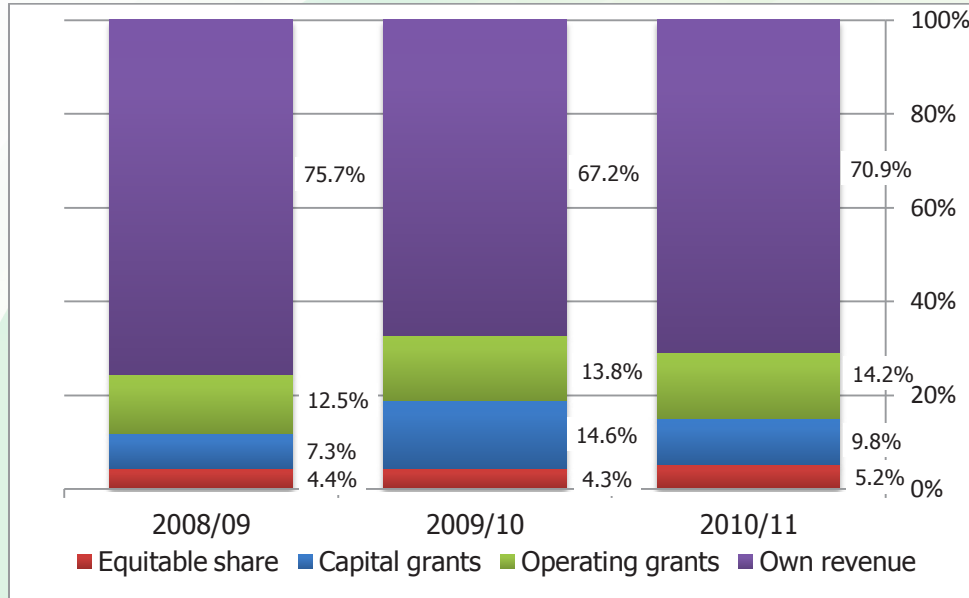
6.1.5 EQUITABLE SHARE VS TOTAL REVENUE

Description of revenue	Amount received 2007/08	Amount received 2008/09	Amount received 2009/10	Amount received 2010/11
	R'000	R'000	R'000	R'000
Equitable share	13,331	18,083	19,283	22,279
Capital grants	64,343	34,193	65,195	36,888
Operating grants		49,697	61,732	63,129
Own revenue	203,967	247,871	299,625	380,860
Total revenue	296,677	349,844	445,835	503,156

Note: The amounts received in this table are reflective of the transfers recognized as revenue in the Statement of Financial Performance and not of the actual transfers made into the municipal bank account.

Chapter 6 – Table 11: Equitable share vs. total revenue

The following graph indicates the various revenue streams of the municipality for the past three financial years



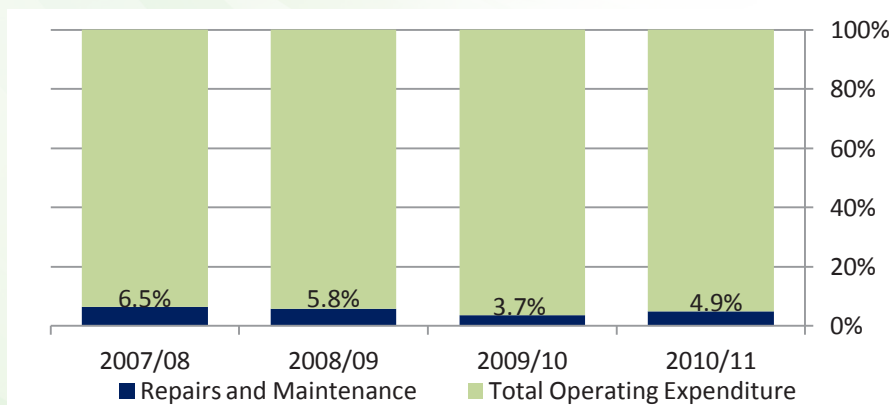
Chapter 6 – Graph 5: Revenue streams

6.1.6 REPAIRS AND MAINTENANCE

Description	2007/2008	2008/2009	2009/2010	2010/11
	R'000	R'000	R'000	R'000
Total Operating Expenditure	285,912	327,208	467,434	404,349
Repairs and Maintenance	18,544	18,919	17,162	19,925
% of total OPEX	6.5	5.8	3.7	4.9

Chapter 6 – Table 12: Repairs & maintenance as % of total operating expenditure

The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational budget



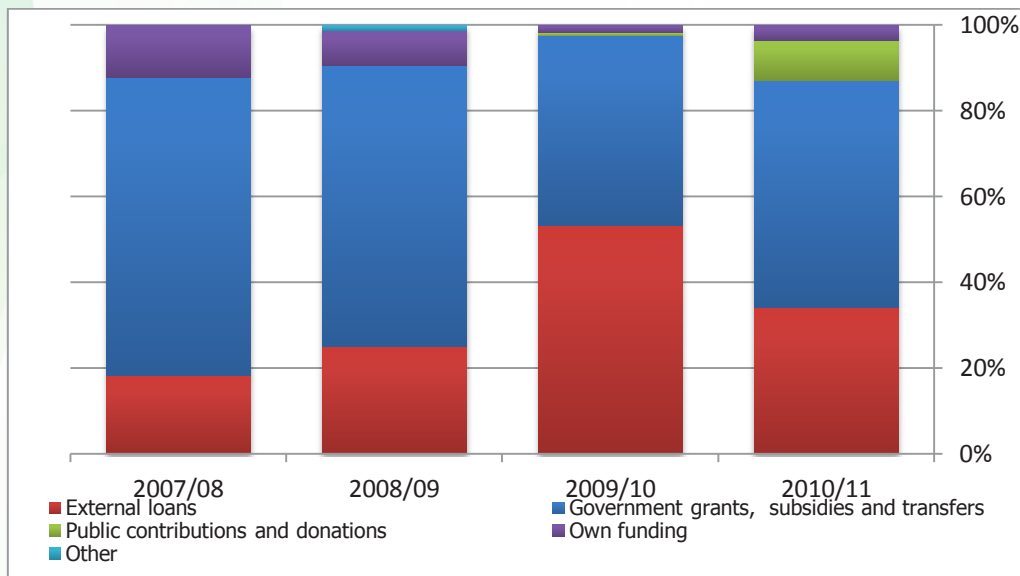
Chapter 6 – Graph 6: Repairs and maintenance as percentage of operating expenditure

6.1.7 CAPITAL FUNDED BY SOURCE

Description Source	2007/2008	2008/2009	2009/2010	2010/11
	R'000	R'000	R'000	R'000
External loans	24,412	41,730	24,948	9,892
Government grants, subsidies and transfers	38,024	34,706	65,195	37,711
Public contributions and donations	6,549	577	0	0
Own funding	2,635	1,403	8,176	6,639
Other	0	0	1,312	0
Total capital expenditure	71,621	78,416	99,632	54,242

Chapter 6 – Table 13: Capital funded by source

The following graph indicates capital expenditure funded by the various sources



Chapter 6 – Graph 7: Capital funded by source

6.2 FINANCIAL STATEMENTS – 6.2.1 GENERAL INFORMATION

Knysna Municipality (WC048)

Consolidated AFS 2010/2011 (Audited)

KNYSNA MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

Current Office Holders

G Wolmarans	Executive Mayor
M L Wasserman	Deputy Executive Mayor [Chairperson: Finance and Governance Committee]
E D Edge	Executive Councillor [Chairperson: Infrastructure Development Committee]
M Williams	Executive Councillor [Chairperson: Community Services Committee]
L M Hart	Executive Councillor [Chairperson: Planning and Development Committee]

In Office until 18 May 2011

E R J Bouw-Spies	Executive Mayor
Rev D J Kemoetie	Deputy Executive Mayor [Chairperson: Finance, Economic Development and Governance]
A N H Finn	Executive Councillor [Chairperson: Infrastructure and Integrated Human Settlements]
N E Koti	Executive Councillor [Chairperson: Community Services]

AUDITORS

Auditor-General
Private Bag X96, Bellville 7535

BANKER

Nedbank Corporate
P O Box 472, Knysna
6570

REGISTERED OFFICE

Civic Centre
Clyde Street
Knysna

P O Box 21
Knysna
6570

Tel 044 - 302 6300
Fax 044 - 302 6333

ACTING MUNICIPAL MANAGER

Ms L Waring

CHIEF FINANCIAL OFFICER

Mr G S Easton

LEGAL FORM

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

JURISDICTION

Greater Knysna area which includes:

Knysna
Sedgefield
Rheenendal
Karatara
Brenton
Belvidere
Noetzie

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
Value Added Tax Act
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)



6.2.2 APPROVAL OF THE FINANCIAL STATEMENTS



2010 / 2011

MEMBERS OF THE KNYSNA MUNICIPALITY

Current Office Holders

WARD	COUNCILLOR	
1	Grootboom	I W J
2	Hart	L M
3	Lizwani	M
4	Litoli	W N
5	Williams	M
6	Witbooi	C K
7	Gombo	T M E
8	Sopeki	N
9	Wasserman	M L
10	Dawson	R A
Proportional	Charlie	L B
Proportional	Dyanti	M
Proportional	Edge	E D
Proportional	Hololoshe	B
Proportional	Nayler	T
Proportional	Nkam	P P
Proportional	Van Aswegen	E O
Proportional	Waxa	V
Proportional	Wolmarans	G

In Office until 18 May 2011

WARD	COUNCILLOR	
1	Nayler	T
2	Jule	M L
3	Matungana	A G
4	Loliwe	S R
5	Botha	J K A
6	Kemoetie	D J
7	Koti	N E
8	Molosi	V M
Proportional	Bouw-Spies	E R J
Proportional	Dawson	R A
Proportional	Finn	A N H
Proportional	Gungubele	N V
Proportional	Joyi	W
Proportional	Mc Combi	H J
Proportional	Oktober	R E
Proportional	Wolmarans	G

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 76 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

L Waring
Acting Municipal Manager

Date



6.2.3 REPORT OF THE AUDITOR-GENERAL

TO THE WESTERN CAPE PROVINCIAL PARLIAMENT & THE COUNCIL ON KNYSNA MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying consolidated and separate financial statements of the Knysna Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2011, and the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages 10 to 81.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Knysna Municipality as at 30 June 2011 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

9. Enquiries of management and the municipality's legal representatives confirmed that the municipality is a defendant in actions instituted for damages and claims totalling R6 558 504. The outcome of these legal claims cannot be determined, but based on best estimate and judgement by management, these amounts have been disclosed as a contingent liability in note 52 to the consolidated financial statements.



Restatement of corresponding figures

10. As disclosed in note 37 to the consolidated financial statements, the corresponding figures for 30 June 2010 have been restated as a result of an error discovered during 30 June 2011 in the consolidated financial statements of Knysna Municipality at, and for the year ended, 30 June 2011.

Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unaudited supplementary schedules

11. The supplementary information set out on pages 82 to 83, does not form part of the consolidated financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Material inconsistencies in other information included in the annual report

12. The draft annual report has not yet been submitted to us for review to identify any material inconsistencies that may exist between the annual report and financial statements. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 41 to 96 and material non-compliance with laws and regulations applicable to the Knysna Municipality and its municipal entity.

Predetermined objectives

Compliance with laws and regulation

14. The accounting officer of the municipality did not by 25 January 2011 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(ii) of the MFMA.
15. A mid-year performance review was not performed by the accounting authority of the municipal entity and therefore not submitted to Knysna Municipality in terms of section 88 of the MFMA.
16. The municipal entity did not prepare and include an assessment by the entity's accounting authority of the entity's performance against any measurable performance objectives set, in terms of the service delivery agreement or other agreement between the entity and its parent municipality, as required by section 121(4)(d) and 127 of the MFMA.

Reliability of information

17. The reported performance information was deficient in respect of the following criteria:
- Validity: The reported performance did not occur and does not pertain to the entity.
 - Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
 - Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

18. For the selected programmes, 21% of the reported indicators were not valid, accurate and complete based on the source information or evidence provided.

Compliance with laws and regulations



Expenditure management

19. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

20. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).

21. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).

Asset Management

22. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2)(c) of the Municipal Finance Management Act.

INTERNAL CONTROL

23. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

24. The accounting officer and his delegated officials did not exercise adequate oversight responsibility with regards to the compliance with laws and regulations applicable to performance reporting.

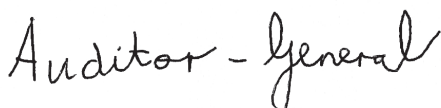
25. The accounting officer did not ensure that the adequate controls are in place with regards to the monitoring of predetermined objectives to ensure valid, accurate and complete predetermined objectives are reported.

26. The accounting officer and his delegated officials did not exercise adequate oversight responsibility with regards to compliance with laws and regulations to detect and prevent unauthorised, irregular and fruitless and wasteful expenditure.

27. Management have not complied with the applicable laws and regulations due to the board not establishing adequate policies and procedures which would enable the municipal entity to comply the applicable laws and regulations. Management have furthermore not established the required governance structures to enable effective oversight of the entity.

Financial Management

28. Management did not take adequate action to address risks relating to the achievement of complete and accurate performance reporting. Management did not adequately monitor and review reported performance information.



Cape Town
20 December 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

6.2.4 REPORT OF THE CHIEF FINANCIAL OFFICER

KNYSNA MUNICIPALITY ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2010/2011.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Knysna Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Knysna economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Councillors, quite correctly, always concentrate on what they perceive as service delivery but if there is a gap, for example in procurement, then a pipe fitting may not be bought causing a problem further down the line outside. Staffing must be addressed in all areas and not in isolation.

Financial Statement Ratios:

INDICATOR	30 June 2011	30 June 2010
Surplus / (Deficit) for the year before Appropriations	98 807 642	(21 599 014)
Accumulated Surplus / (Deficit) at the end of the Year	854 967 401	769 895 456
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	31.01%	24.52%
Remuneration of Councillors	1.13%	0.92%
Remuneration of Directors of Knysna Economic Development Agency	0.01%	0.00%
Debt Impairment	3.89%	2.54%
Collection Cost	0.03%	0.03%
Depreciation and Amortisation	4.59%	4.80%
Impairments	0.03%	13.96%
Repairs and Maintenance	4.93%	3.67%
Actuarial losses	1.50%	0.23%
Finance Charges	4.25%	3.55%
Unamortised discount - Interest	0.00%	0.00%
Bulk Purchases	21.17%	14.78%
Contracted services	3.17%	2.61%
Grants and Subsidies Paid	1.44%	1.15%
Stock Adjustments	0.00%	0.00%
Other Operating Grant Expenditure	9.37%	8.67%
General Expenses	13.33%	11.41%
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties.	0.00%	7.14%
Loss on disposal of Property, Plant and Equipment/Investment Property	0.13%	0.01%
Current Ratio:		
Creditors Days	31,5	21
Debtors Days	104	104

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for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	769 895 456	244 496 729	214.89%	-	-
Operating income for the year (incl. gains in disposal of assets)	503 156 141	445 835 302	12.86%	448 395 000	12.21%
Appropriations for the year	(13 735 690)	546 997 741	-102.51%	-	
	1 259 315 907	1 237 329 772	1.78%	448 395 000	180.85%
Expenditure:					
Operating expenditure for the year	404 348 499	467 434 316	-13.50%	426 036 000	-5.09%
Closing surplus / (deficit)	854 967 408	769 895 456	11.05%	-	-
	1 259 315 907	1 237 329 772	1.78%	426 036 000	195.59%

4. CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 54 241 855 (2009/2010: R 99 821 534), and in percentage terms amounts to 93,9% of budget. Full details of Property, Plant and Equipment are disclosed in note number 13 to the Annual Financial Statements.

5. LONG-TERM LIABILITIES

	2011 R	2010 R
The outstanding amount of Long-term Liabilities as at 30 June was :	<u>173 542 503</u>	<u>168 165 309</u>
New loans taken up during the financial year to enable the municipality to finance	<u>20 110 799</u>	<u>44 579 000</u>

Refer to Note number 3 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

	2011 R	2010 R
Non-current Provisions and Employee Benefits at 30 June are made up as follows:	<u>70 995 552</u>	<u>56 857 750</u>
Provision for Post Retirement Benefits	53 989 710	44 249 234
Provision for Ex-Gratia Pension Benefits	458 301	429 069
Provision for Long Service Awards	7 101 526	5 466 397
Provision for Rehabilitation of Landfill-sites	3 458 716	1 010 860
Provision for Clearing of Alien Vegetation	5 987 299	5 702 190
	<u>70 995 552</u>	<u>56 857 750</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

KNYSNA MUNICIPALITY
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for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 6	9 103 463	8 474 945
Current Employee Benefits	Note number 7	14 389 046	13 163 363
Provisions	Note number 8	3 458 716	1 010 860
Payables from Exchange Transactions	Note number 9	36 847 695	26 323 318
Unspent Conditional Government Grants and Receipts	Note number 10	7 652 883	8 413 996
Unspent Public Contributions	Note number 12	4 500	-
Taxes		304 461	-
Operating Lease Liability		-	-
Cash and Cash Equivalents		-	10 185 666
Current Portion of Long-term Liabilities	Note number 22.1	17 180 613	14 457 926
		88 941 377	82 030 073

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is: **88 133** **177 516**

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 16 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is: **878 649 312** **807 239 068**

Refer to Note number 13 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of : **14 983 551** **13 295 235**

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 17 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R546085.51 **1 081 523** **1 791 774**

Refer to Note number 18 for more detail.



KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

12. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note number 19	2 223 246	1 684 605
Trade Receivables from exchange transactions	Note number 20	43 062 296	39 626 141
Other Receivables from non-exchange transactions	Note number 21	20 423 269	20 134 477
Unpaid Conditional Government Grants and Receipts	Note number 10	3 571 365	7 906 385
Operating Lease Asset	Note number 22.2	-	-
Taxes	Note number 12	603 589	5 460 228
Current Portion of Long-term Receivables	Note number 18	62 931	118 433
Cash and Cash Equivalents	Note number 23	59 528 390	26 963 629
		129 475 086	101 893 898

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 10 and 25 as well as Appendix E for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 49

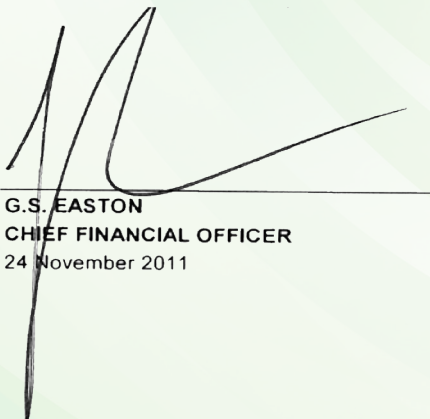
15. DISCLOSURE ISSUES

On 12 August 2011, Council and the Municipal Manager came to an amicable agreement to part ways. This is not a post-reporting date event but it may become an expenditure issue in the 2011/2012 financials and therefore can be noted.

16. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.



G.S. EASTON
CHIEF FINANCIAL OFFICER
24 November 2011

6.2.5 STATEMENT OF FINANCIAL POSITION

KNYSNA MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
NET ASSETS AND LIABILITIES					
Net Assets		873 123 140	774 315 506	872 644 355	774 303 520
Capital Replacement Reserve	2	5 199 523	-	5 199 523	-
Employee Benefits Reserve	2	5 242 645	-	5 242 645	-
Housing Development Fund	2	3 057 395	4 420 049	3 057 395	4 420 049
Non-Current Provisions Reserve	2	4 656 176	-	4 656 176	-
Accumulated Surplus/(Deficit)		854 967 401	769 895 456	854 488 616	769 883 471
Non-Current Liabilities		224 437 699	211 012 618	224 419 478	211 011 103
Long-term Liabilities	3	157 973 589	155 996 699	157 973 589	155 996 699
Employee Benefits	4	59 270 413	48 289 490	59 270 413	48 289 490
Non-Current Provisions	5	5 987 299	5 702 190	5 987 299	5 702 190
Non-current Operating Lease Liability	22.1	1 206 398	1 024 239	1 188 177	1 022 725
Current Liabilities		88 941 377	82 030 075	86 603 513	82 005 634
Consumer Deposits	6	9 103 463	8 474 945	9 103 463	8 474 945
Current Employee Benefits	7	14 389 046	13 163 363	14 389 046	13 163 363
Provisions	8	3 458 716	1 010 860	3 458 716	1 010 860
Payables from Exchange Transactions	9	36 847 695	26 323 318	36 833 575	26 298 878
Unspent Conditional Government Grants and Receipts	10	7 652 883	8 413 996	5 633 600	8 413 996
Unspent Public Contributions	11	4 500	-	4 500	-
Taxes	12	304 461	-	-	-
Cash and Cash Equivalents	23	-	10 185 666	-	10 185 666
Current Portion of Long-term Liabilities	3	17 180 613	14 457 926	17 180 613	14 457 926
Total Net Assets and Liabilities		1 186 502 216	1 067 358 199	1 183 667 345	1 067 320 258
ASSETS					
Non-Current Assets		1 057 027 127	965 464 301	1 056 965 266	965 426 360
Property, Plant and Equipment	13	878 649 312	807 239 068	878 587 450	807 201 127
Non-current Assets Held for Sale	14	-	19 215	-	19 215
Investment Property	15	160 441 000	142 103 000	160 441 000	142 103 000
Intangible Assets	16	88 133	177 516	88 133	177 516
Non-Current Investments	17	14 983 551	13 295 235	14 983 551	13 295 235
Non-current Operating Lease Asset	22.2	2 397 856	2 167 750	2 397 856	2 167 750
Long-Term Receivables	18	467 276	462 518	467 276	462 518
Current Assets		129 475 087	101 893 898	126 702 079	101 893 898
Inventory	19	2 223 246	1 684 605	2 223 246	1 684 605
Receivables from Exchange Transactions	20	43 062 296	39 626 141	43 062 296	39 626 141
Receivables from Non-Exchange Transactions	21	20 423 269	20 134 477	19 870 072	20 134 477
Unpaid Conditional Government Grants and Receipts	10	3 571 365	7 906 385	3 571 365	7 906 385
Taxes	12	603 589	5 460 228	603 589	5 460 228
Current Portion of Long-term Receivables	18	62 931	118 433	62 931	118 433
Cash and Cash Equivalents	23	59 528 390	26 963 629	57 308 580	26 963 629
Total Assets		1 186 502 215	1 067 358 199	1 183 667 345	1 067 320 258

6.2.6 STATEMENT OF FINANCIAL PERFORMANCE

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Notes	Economic Entity		Knysna Municipality		
	2011 R	2010 R Restated - Note 38.12	2011 R	2010 R Restated - Note 38.12	
REVENUE					
Revenue from Non-exchange Transactions					
Taxation Revenue					
Property taxes	24	116 791 378	108 596 693	116 791 378	108 596 693
Transfer Revenue					
Government Grants and Subsidies - Capital	25	36 887 924	65 194 971	36 887 924	65 194 971
Government Grants and Subsidies - Operating	25	63 128 620	61 731 894	62 942 767	61 731 894
Government Transfers - Contributed Assets	25	823 000	-	823 000	-
Other Revenue					
Actuarial Gains	4	-	6 061 408	-	6 061 408
Augmentation Fees		2 386 870	2 328 304	2 386 870	2 328 304
Foreign Exchange Gain		74 959	-	74 959	-
Third Party Payments		616 811	429 835	616 811	429 835
Fines		2 338 273	2 124 790	2 338 273	2 124 790
Stock Adjustments		56 614	23 247	56 614	23 247
Reversal of provisions		-	708 060	-	708 060
Gain on Fair Value Adjustments of Investment Property	15	18 338 000	-	18 338 000	-
Reversal of Impairment Losses of Property, Plant & Equipment		36 174 265	-	36 174 265	-
Other		359 758	2 157 015	359 758	2 157 015
Revenue from Exchange Transactions					
Property Rates - penalties imposed and collection charges	26	2 018 900	1 925 726	2 018 900	1 925 726
Service Charges		202 018 292	175 578 648	202 018 292	175 578 648
Rental of Facilities and Equipment		4 069 244	3 971 780	4 069 244	3 971 780
Interest Earned - external investments		5 914 526	5 875 952	5 914 526	5 875 952
Interest Earned - outstanding debtors		3 872 597	3 777 443	3 872 597	3 777 443
Licences and Permits		1 719 389	1 378 720	1 719 389	1 378 720
Agency Services		1 715 677	1 688 898	1 715 677	1 688 898
Other Income	27	1 618 694	1 290 679	1 618 694	1 290 679
Gain on disposal of Property, Plant & Equipment/Investment Property		1 541 241	243 197	1 541 241	243 197
Unamortised discount - Interest		691 109	748 041	691 109	748 041
Total Revenue		503 156 141	445 835 302	502 970 288	445 835 302
EXPENDITURE					
Employee related costs	28	125 407 203	114 616 454	125 016 330	114 452 906
Remuneration of Councillors	29	4 588 082	4 302 404	4 588 082	4 302 404
Remuneration of Directors of Knysna Economic Development Agency	30	44 000	13 000	-	-
Debt Impairment	31	15 744 368	11 889 060	17 258 761	12 107 101
Collection Cost		104 918	119 013	104 918	119 013
Depreciation and Amortisation		18 556 806	22 433 143	18 552 084	22 432 543
Impairments	32	123 705	65 262 629	123 705	65 262 629
Repairs and Maintenance		19 924 703	17 162 417	19 924 703	17 157 417
Actuarial losses	4	6 054 852	1 087 056	6 054 852	1 087 056
Finance Charges	33	17 193 358	16 572 366	17 193 358	16 572 366
Unamortised discount - Interest		10 410	12 254	10 410	12 254
Bulk Purchases	34	85 618 177	69 091 562	85 618 177	69 091 562
Contracted services		12 805 847	12 220 210	12 805 847	12 220 210
Grants and Subsidies Paid	35	5 842 781	5 357 472	5 842 781	5 357 472
Other Operating Grant Expenditure		37 882 997	40 535 717	37 882 997	40 535 717
General Expenses	37	53 907 843	53 336 717	53 114 000	53 312 809
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties.		-	33 382 002	-	33 382 002
Loss on disposal of Property, Plant and Equipment/Investment Property		538 450	40 840	538 450	40 840
Total Expenditure		404 348 499	467 434 316	404 629 453	467 446 301
NET SURPLUS/(DEFICIT) FOR THE YEAR		98 807 642	(21 599 014)	98 340 835	(21 610 999)

6.2.7 CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other - Exchange Transactions		157 645 386	176 934 231	157 645 386	176 934 231
Cash receipts from ratepayers, government and other - Non-Exchange Transactions		274 552 531	221 972 644	272 347 395	221 972 644
Cash payments to suppliers and employees		(334 776 365)	(313 617 624)	(333 305 299)	(313 438 122)
Cash receipts and payments on VAT transactions		4 856 639	(6 108 662)	4 856 639	(6 108 662)
Cash generated/(absorbed) by operations	39	102 278 191	79 180 589	101 544 121	79 360 091
Interest Received		5 914 526	5 875 952	5 914 526	5 875 952
Interest Paid		(17 193 358)	(16 572 366)	(17 193 358)	(16 572 366)
Net Cash from Operating Activities		90 999 358	68 484 174	90 265 288	68 663 676
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment		(54 241 855)	(99 821 534)	(54 213 212)	(99 782 993)
Proceeds on Disposal of Fixed Assets		1 541 241	243 197	1 541 241	243 197
Movement in Non-current assets held for sale		19 215	-	19 215	-
Increase in Intangible Assets		-	-	-	-
(Increase)/Decrease in Non-current Investments		(1 688 324)	(1 476 125)	(3 202 708)	(1 694 168)
Net Cash from Investing Activities		(54 369 723)	(101 054 462)	(55 855 464)	(101 233 964)
CASH FLOW FROM FINANCING ACTIVITIES					
New loans raised		20 110 799	15 514 814	20 110 799	15 514 814
Loans repaid		(15 328 776)	(11 807 117)	(15 328 776)	(11 807 117)
(Increase)/Decrease in Long-term Receivables		710 251	(70 243)	710 251	(70 243)
Increase in Consumer Deposits		628 518	291 638	628 518	291 638
Net Cash from Financing Activities		6 120 792	3 929 091	6 120 792	3 929 091
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		42 750 426	(28 641 196)	40 530 616	(28 641 196)
Cash and Cash Equivalents at the beginning of the year		16 777 964	45 419 158	16 777 964	45 419 158
Cash and Cash Equivalents at the end of the year	40	59 528 390	16 777 964	57 308 580	16 777 964
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		42 750 426	(28 641 196)	40 530 616	(28 641 196)



6.2.8 STATEMENT OF CHANGES IN NET ASSETS

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

Economic Entity	Employee Benefits Reserve	Non-Current Provisions Reserve	Housing Capital Development Fund	Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R
Balance at 1 JULY 2009			4 402 001	-	244 496 729	248 898 729
Correction of errors - Note 38.11	-	-	-	-	547 015 790	547 015 790
Restated Balance at 1 July 2009	-	-	4 402 001	-	791 512 519	795 914 519
Net Surplus/(Deficit) for the year	-	-	-	-	(21 599 014)	(21 599 014)
Transfer to/from Funding Policy Reserves	-	-	-	8 137 177	(8 137 177)	-
Property, Plant and Equipment purchase	-	-	-	(8 137 177)	8 137 177	-
Transfer from/(to) Housing Development Fund	-	-	18 049	-	(18 049)	-
Balance at 30 June 2010	-	-	4 420 049	-	769 895 456	774 315 505
Net Surplus/(Deficit) for the year	-	-	-	-	98 807 642	98 807 642
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	7 762 609	(17 661 430)	-
Property, Plant and Equipment purchased	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Fund	-	-	(1 362 654)	-	1 362 654	-
Balance at 30 June 2011	5 242 645	4 656 176	3 057 395	5 199 523	854 967 408	873 123 147

Knysna Municipality	Employee Benefits Reserve	Non-Current Provisions Reserve	Housing Capital Development Fund	Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R
Balance at 1 JULY 2009			4 402 001	-	244 496 729	248 898 729
Correction of errors - Note 38.11	-	-	-	-	547 015 790	547 015 790
Restated Balance at 1 July 2009	-	-	4 402 001	-	791 512 519	795 914 519
Net Surplus/(Deficit) for the year	-	-	-	-	(21 610 999)	(21 610 999)
Transfer to/from Funding Policy Reserves	-	-	-	8 137 177	(8 137 177)	-
Property, Plant and Equipment purchase	-	-	-	(8 137 177)	8 137 177	-
Transfer from/(to) Housing Development Fund	-	-	18 049	-	(18 049)	-
Balance at 30 June 2010	-	-	4 420 049	-	769 883 471	774 303 520
Net Surplus/(Deficit) for the year	-	-	-	-	98 340 835	98 340 835
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	7 762 609	(17 661 430)	-
Property, Plant and Equipment purchased	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Fund	-	-	(1 362 654)	-	1 362 654	-
Balance at 30 June 2011	5 242 645	4 656 176	3 057 395	5 199 523	854 488 616	872 644 356



6.2.9 ACCOUNTING POLICIES

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The economic entity resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011

Standard	Description	Effective Date
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The economic entity resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the economic entity applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the economic entity's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other economic entity has the same geographical setting as the economic entity and that the other economic entity's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.2 PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material

accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 CONSOLIDATED FINANCIAL STATEMENTS

The economic entity's financial statements incorporate the financial statements of the parent entity, Knysna Municipality, and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

All inter-entity transactions and balances, unrealized gains and losses within the economic entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the municipality.

Municipal entities are all controlled entities over which the municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

1.6 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. In general, materiality is determined as 1% of total expenditure.

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the economic entity does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the economic entity does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the economic entity does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments necessary as the economic entity has no significant heritage assets.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the economic entity does not participate in such business transactions.	Unknown



Standard	Description	Effective Date
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the economic entity does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the economic entity does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the economic entity once implemented.

1.8 RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the economic entity, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.4 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non current provision is made until the necessary funding level is obtained.

1.8.5 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9

LEASES

1.9.1 Economic entity as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the economic entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.



Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9.2 Economic entity as Lessor

Under a finance lease, the economic entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the economic entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.10 GOVERNMENT GRANTS AND RECEIPTS

1.10.1 Unspent Conditional Government Grants and Receipts

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

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

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

- 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 are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the economic entity 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 creditor. If it is the economic entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity 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.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

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

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

- The cash which backs up the creditor is invested as individual investment or part of the general investments of the economic entity until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the economic entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12 PROVISIONS

Provisions are recognised when the economic entity has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The economic entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The economic entity has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The economic entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.13 EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The economic entity 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 charged to 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 fair value of the obligation. Payments made by the economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.



Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the economic entity. The economic entity's obligation under these plans is valued by independent qualified actuaries periodically 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 charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex Gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The economic entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Accrued Leave Pay

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.

(e) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(f) Pension and Retirement Fund Obligations

The economic entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity 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 charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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 charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The economic entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.



1.15 PROPERTY, PLANT AND EQUIPMENT

1.15.1 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the economic entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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 assets acquired are 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the economic entity 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.

1.15.2 Subsequent Measurement – Cost Model

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

Where the economic entity 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 associated with the asset.

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.4 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Infrastructure	Sewerage	10 – 100
	Electricity	15 – 100
	Water	12 – 182
	Roads	12 – 102
	Security Measures	5 – 50
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Heritage	None	Indefinite
Other Assets	Bins and Containers	15
	Other	3 – 100
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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.

1.15.5 *De-recognition*

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.6 *Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)*

The economic entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The economic entity applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16 INTANGIBLE ASSETS

1.16.1 *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 entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The economic entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the economic entity intends to complete the intangible asset for use or sale;

- it is technically feasible to complete the intangible asset;
- the economic entity has the resources to complete the project; and
- it is probable that the economic entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. 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.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their 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 reviewed at each year end, 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:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

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

1.16.5 Application of deemed cost (Directive 7)

The economic entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic entity applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.17 INVESTMENT PROPERTY

1.17.1 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 or fair value 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 economic entity 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. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the economic entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.4 Application of deemed cost - Directive 7

The economic entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic entity applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18 NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The economic entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the economic entity estimates the asset's recoverable amount.

An assets recoverable amount is the higher of an assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such



indication exists, the economic entity estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 **Non-cash-generating assets**

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

The Economic entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic entity estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an 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* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit 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 with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

An impairment loss recognised in prior periods for an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20 **NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21

INVENTORIES

1.21.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. 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.

Where inventory is acquired by the economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22

FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 *Initial Recognition*

Financial instruments are initially recognised when the economic entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 *Receivables*

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Economic entity 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. 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 Economic entity 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.

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 the Statement of Financial Performance. 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 economic entity. 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 future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, 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.

1.22.2.3 Cash and Cash Equivalents

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 economic entity categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the economic entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the economic entity has transferred substantially all the risks and rewards of the asset, or (b) the economic entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the economic entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the economic entity's continuing involvement in the asset.

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 economic entity could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the

extent of the economic entity's continuing involvement is the amount of the transferred asset that the economic entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the economic entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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.

1.22.4 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23

REVENUE

1.23.1 **Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

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 economic entity. Where public contributions have been received but the economic entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

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

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 economic entity.

After a period of twelve months all unclaimed deposits into the economic entity's bank account will be treated as revenue as 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.

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 is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a economic entity 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 present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised



as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

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

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. Provisional estimates of consumption are made monthly when meter readings have not been performed. 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

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.

Interest revenue is recognised using the effective interest rate method.

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

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.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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

The amount of revenue arising on a transaction is usually determined by agreement between the entity 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 entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to

revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24 TAXATION

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.25 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.

(a) *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.

(b) *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.

1.26 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 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 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 CONTINGENT LIABILITIES

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 entity. 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 the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the economic entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

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.

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.

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.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

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.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property 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. 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 economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the economic entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the economic entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the economic entity is satisfied that recognition of the revenue in the current year is appropriate.

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 of the expected future cash flows to rehabilitate the landfill site at year end. 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 is charged to the Statement of Financial Performance.

Provision for Clearing of Alien Vegetation

The economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from suppliers and is made every second year and adjusted for inflationary in the alternate years.

Provision for Task Implementation and Back Pay

The provision at 30 June 2010 for Task Implementation represents the economic entity's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the economic entity's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.



Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

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

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.

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.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic Entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Economic Entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Economic Entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Economic Entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

1.31 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.

1.32 PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.33 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

6.2.10 NOTES TO THE FINANCIAL STATEMENTS

Knysna Municipality (WC048)

Consolidated AFS 2010/2011 (Audited)

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
2 NET ASSET RESERVES				
RESERVES	18 155 740	4 420 049	18 155 740	4 420 049
Capital Replacement Reserve	5 199 523	-	5 199 523	-
Employee Benefits Reserve	5 242 645	-	5 242 645	-
Housing Development Fund	3 057 395	4 420 049	3 057 395	4 420 049
Non-Current Provisions Reserve	4 656 176	-	4 656 176	-
Total Net Asset Reserve and Liabilities	18 155 740	4 420 049	18 155 740	4 420 049
3 LONG TERM LIABILITIES				
Annuity Loans - At amortised cost	166 300 462	161 804 631	166 300 462	161 804 631
Local Registered Stock	3 033 002	3 033 002	3 033 002	3 033 002
Capitalised Lease Liability - At amortised cost	4 209 038	3 327 676	4 209 038	3 327 676
Balance previously reported	-	3 156 050	-	3 156 050
Finance lease previously not recognised - Note 38.02	-	171 627	-	171 627
	173 542 503	168 165 309	173 542 503	168 165 309
Less: Current Portion transferred to Current Liabilities	(17 180 613)	(14 457 926)	(17 180 613)	(14 457 926)
Annuity Loans - At amortised cost	(15 189 735)	(13 413 523)	(15 189 735)	(13 413 523)
Capitalised Lease Liability - At amortised cost	(1 990 878)	(1 044 403)	(1 990 878)	(1 044 403)
	156 361 889	153 707 383	156 361 889	153 707 383
Plus: Unamortised charges on loans	1 611 699	2 289 316	1 611 699	2 289 316
Balance at beginning of year	2 289 316	3 021 738	2 289 316	3 021 738
Adjustment for the period	(677 617)	(732 422)	(677 617)	(732 422)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	157 973 589	155 996 699	157 973 589	155 996 699
The obligations under annuity loans are scheduled below:				
Amounts payable under annuity loans:				
Payable within one year	31 626 699	29 905 415	31 626 699	29 905 415
Payable within two to five years	104 389 211	104 712 707	104 389 211	104 712 707
Payable after five years	151 359 946	156 567 372	151 359 946	156 567 372
	287 375 856	291 185 494	287 375 856	291 185 494
Less: Future finance obligations	(121 075 393)	(129 380 863)	(121 075 393)	(129 380 863)
Present value of annuity obligations	166 300 462	161 804 631	166 300 462	161 804 631
The obligations under stock loans are scheduled below:				
Amounts payable under stock loans:				
Payable within one year	496 606	496 606	496 606	496 606
Payable within two to five years	3 359 593	3 739 319	3 359 593	3 739 319
Payable after five years	1 002 722	1 119 603	1 002 722	1 119 603
	4 858 922	5 355 528	4 858 922	5 355 528
Less: Future finance obligations	(1 825 919)	(2 322 526)	(1 825 919)	(2 322 526)
Present value of stock loan obligations	3 033 003	3 033 002	3 033 003	3 033 002
The obligations under finance leases are scheduled below:				
Amounts payable under finance leases:				
Payable within one year	2 278 178	1 437 399	2 278 178	1 437 399
Payable within two to five years	2 494 974	2 573 484	2 494 974	2 573 484
Payable after five years	-	-	-	-
	4 773 152	4 010 882	4 773 152	4 010 882
Less: Future finance obligations	(564 114)	(683 206)	(564 114)	(683 206)
Present value of lease obligations	4 209 038	3 327 676	4 209 038	3 327 676

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases.

Leases are secured by property, plant and equipment - Note 13

LOCAL REGISTERED STOCK

Bear interest at rates between 16% and 17% per annum and are repayable over periods of between five and ten years.

ANNUITY LOANS

Bear interest at rates between 0% and 14% per annum. Fixed Deposits of R 14,966,107 (2010: R 13,277,790) and Term Deposit of R7,376,373 (2010: R 6,947,323) have been pledged to DBSA as guarantees on external loans taken up. (See notes 17 and 23)



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
4 EMPLOYEE BENEFITS				
Post Retirement Benefits - Refer to Note 4.1	52 394 826	42 865 838	52 394 826	42 865 838
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	435 212	376 919	435 212	376 919
Long Service Awards - Refer to Note 4.3	6 440 375	5 046 733	6 440 375	5 046 733
Total Non-current Employee Benefit Liabilities	59 270 413	48 289 490	59 270 413	48 289 490
<u>Post Retirement Medical Benefits</u>				
Balance at beginning of year	44 249 234	44 727 097	44 249 234	44 727 097
Contribution for the year	6 119 223	6 759 201	6 119 223	6 759 201
Expenditure for the year	(1 563 002)	(1 383 087)	(1 563 002)	(1 383 087)
Actuarial Loss/(Gain)	5 184 255	(5 853 977)	5 184 255	(5 853 977)
Total post retirement benefits 30 June	53 989 710	44 249 234	53 989 710	44 249 234
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 594 884)	(1 383 396)	(1 594 884)	(1 383 396)
Balance at end of year	52 394 826	42 865 838	52 394 826	42 865 838
<u>Ex-Gratia Pensions</u>				
Balance at beginning of year	429 069	613 868	429 069	613 868
Contribution for the year	34 133	65 112	34 133	65 112
Expenditure for the year	(42 480)	(42 480)	(42 480)	(42 480)
Actuarial Loss/(Gain)	37 579	(207 431)	37 579	(207 431)
Total provision 30 June	458 301	429 069	458 301	429 069
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(23 089)	(52 150)	(23 089)	(52 150)
Balance at end of year	435 212	376 919	435 212	376 919
<u>Long Service Awards</u>				
Balance at beginning of year	5 466 397	3 962 940	5 466 397	3 962 940
Contribution for the year	1 129 299	792 940	1 129 299	792 940
Expenditure for the year	(327 188)	(376 539)	(327 188)	(376 539)
Actuarial Loss/(Gain)	833 018	1 087 056	833 018	1 087 056
Total long service 30 June	7 101 526	5 466 397	7 101 526	5 466 397
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(661 151)	(419 664)	(661 151)	(419 664)
Balance at end of year	6 440 375	5 046 733	6 440 375	5 046 733
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>				
Balance at beginning of year	50 144 700	49 303 905	50 144 700	49 303 905
Contribution for the year	7 282 655	7 617 253	7 282 655	7 617 253
Expenditure for the year	(1 932 670)	(1 802 105)	(1 932 670)	(1 802 105)
Actuarial Loss/(Gain)	6 054 852	(4 974 353)	6 054 852	(4 974 353)
Total employee benefits 30 June	61 549 537	50 144 700	61 549 537	50 144 700
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(2 279 124)	(1 855 210)	(2 279 124)	(1 855 210)
Balance at end of year	59 270 413	48 289 490	59 270 413	48 289 490

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	638	600	638	600
Continuation members (e.g. Retirees, widows, orphans)	60	60	60	60
Total Members	698	660	698	660

The liability in respect of past service has been estimated to be as follows:

In-service members	28 850 351	23 175 455	28 850 351	23 175 455
Continuation members	25 139 359	21 073 779	25 139 359	21 073 779
Total Liability	53 989 710	44 249 234	53 989 710	44 249 234

Economic Entity

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R R	2008	2007 R
Members	44 727 097	39 936 000	33 685 000
Total Liability	44 727 097	39 936 000	33 685 000

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

Bonitas;
LA Health
Hosmed
SAMWU Medical Aid; and
Key health.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4 EMPLOYEE BENEFITS (CONTINUED)

The Future-service Cost for the ensuing year is estimated to be R2 594 000, whereas the Interest- Cost for the next year is estimated to be R4 638 300.

	Economic Entity		Knysna Municipality	
	2011 %	2010 %	2011 %	2010 %
Key actuarial assumptions used:				
i) Rate of interest				
Discount rate	8.72%	9.22%	8.72%	9.22%
Health Care Cost Inflation Rate	7.30%	7.27%	7.30%	7.27%
Net Effective Discount Rate	1.32%	1.82%	1.32%	1.82%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

	2011 R	2010 R	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	53 989 710	44 249 234	53 989 710	44 249 234
Net liability/(asset)	53 989 710	44 249 234	53 989 710	44 249 234

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	44 249 234	44 727 097	44 249 234	44 727 097
Total expenses	4 556 222	5 376 114	4 556 222	5 376 114
Current service cost	2 101 696	2 043 107	2 101 696	2 043 107
Interest Cost	4 017 527	4 716 094	4 017 527	4 716 094
Benefits Paid	(1 563 002)	(1 383 087)	(1 563 002)	(1 383 087)
Actuarial (gains)/losses	5 184 255	(5 853 977)	5 184 255	(5 853 977)
Present value of fund obligation at the end of the year	53 989 710	44 249 234	53 989 710	44 249 234
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 594 884)	(1 383 396)	(1 594 884)	(1 383 396)
Balance at end of year	52 394 826	42 865 838	52 394 826	42 865 838

Economic Entity**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change	
Central Assumptions	28.850	25.139	28.850		
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	35.773	28.116	35.773	18%
Health care inflation	-1%	23.482	22.585	23.482	-15%
Post-retirement mortality	-1 year	29.820	26.043	29.820	3%
Average retirement age	-1 year	31.369	25.139	31.369	5%
Withdrawal Rate	-50%	32.425	25.139	32.425	7%

4.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 7 (2010 = 7) employees were eligible for Ex-Gratia payments.

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 next year is estimated to be R32 882.

	2011 %	2010 %	2011 %	2010 %
Key actuarial assumptions used:				
i) Rate of interest				
Discount rate	7.63%	9.11%	7.63%	9.11%
General increase rate	5.32%	6.44%	5.32%	6.44%
Net Effective Discount Rate (increasing pensions)	2.20%	2.51%	2.20%	2.51%
Net Effective Discount Rate (level pensions)	7.63%	9.11%	7.63%	9.11%



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4

EMPLOYEE BENEFITS (CONTINUED)

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	458 301	429 069	458 301	429 069
Net liability/(asset)	458 301	429 069	458 301	429 069
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	429 069	613 868	429 069	613 868
Total expenses	(8 347)	22 632	(8 347)	22 632
Interest Cost	34 133	65 112	34 133	65 112
Benefits Paid	(42 480)	(42 480)	(42 480)	(42 480)
Actuarial (gains)/losses	37 579	(207 431)	37 579	(207 431)
Present value of fund obligation at the end of the year	458 301	429 069	458 301	429 069
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(23 089)	(52 150)	(23 089)	(52 150)
Balance at end of year	435 212	376 919	435 212	376 919

Economic Entity

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R	2007 R
Members	613 868	620 565	582 336
Total Liability	613 868	620 565	582 336

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R) %	change
Central assumptions		458 301	
Pension increase rate	1%	493 879	8%
Pension increase rate	-1%	427 098	-7%
Post retirement mortality	1 Yrs	478 469	-4%

4.3 Long Service Awards

The Long Service Awards plans are defined benefit plans. As at year end, 627 (2010 = 600) employees were eligible for Long Service Awards.

The Future-service Cost for the ensuing year is estimated to be R904 375, whereas the Interest cost for the next year is estimated to be R532 095.

Key actuarial assumptions used:

i) Rate of interest

	Economic Entity 2011 %	2010 %	Knysna Municipality 2011 %	2010 %
Discount rate	7.85%	9.11%	7.85%	9.11%
General Salary Inflation (long-term)	6.28%	6.44%	6.28%	6.44%
Net Effective Discount Rate applied to salary-related Long Service Awards	1.48%	2.51%	1.48%	2.51%

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

Present value of fund obligations	7 101 526	5 466 397	7 101 526	5 466 397
Net liability/(asset)	7 101 526	5 466 397	7 101 526	5 466 397

Reconciliation of present value of fund obligation:

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
Present value of fund obligation at the beginning of the year	5 466 397	3 962 940	5 466 397	3 962 940
Total expenses	802 111	416 401	802 111	416 401
Current service cost	649 870	383 551	649 870	383 551
Interest Cost	479 429	409 389	479 429	409 389
Benefits Paid	(327 188)	(376 539)	(327 188)	(376 539)
Actuarial (gains)/losses	833 018	1 087 056	833 018	1 087 056
Present value of fund obligation at the end of the year	7 101 526	5 466 397	7 101 526	5 466 397
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(661 151)	(419 664)	(661 151)	(419 664)
Balance at end of year	6 440 375	5 046 733	6 440 375	5 046 733

Economic Entity

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R m	2008 R m	2007 R m
Members	3.963	3.683	3.168
Total Liability	3.963	3.683	3.168

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4 EMPLOYEE BENEFITS (CONTINUED)

Economic Entity

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm) %	change
Central assumptions		7.102	
General salary inflation	1%	7.650	8%
General salary inflation	-1%	6.612	-7%
Average retirement age	- 2 Yrs	6.291	-11%
Average retirement age	+ 2 Yrs	7.913	11%
Withdrawal rates	-50%	8.609	21%

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites
Provision for Clearing of Alien Vegetation

Total Non-current Provision Liabilities

Economic Entity		Knysna Municipality	
2011	2010	2011	2010
R	R	R	R
-	-	-	-
5 987 299	5 702 190	5 987 299	5 702 190
5 987 299	5 702 190	5 987 299	5 702 190

Landfill Sites

Balance at beginning of year
Contribution for the year
Expenditure for the year

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 8

Balance at end of year

1 010 860	1 010 860	1 010 860	1 010 860
2 642 481	-	2 642 481	-
(194 625)	-	(194 625)	-
3 458 716	1 010 860	3 458 716	1 010 860
(3 458 716)	(1 010 860)	(3 458 716)	(1 010 860)
-	-	-	-

Clearing of Alien Vegetation

Balance at beginning of year
Contribution for the year
Expenditure for the year

Balance at end of year

5 702 190	6 410 250	5 702 190	6 410 250
989 883	(708 060)	989 883	(708 060)
(704 773)	-	(704 773)	-
5 987 299	5 702 190	5 987 299	5 702 190

It is expected that the rehabilitation costs of Landfill Sites be incurred in the ensuing financial year, while there is no definite commitment on expenditure for the clearing of backlog alien vegetation.

6 CONSUMER DEPOSITS

Electricity
Water

Total Consumer Deposits

Guarantees held in lieu of Electricity and Water Deposits

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

5 773 652	5 287 593	5 773 652	5 287 593
3 329 811	3 187 351	3 329 811	3 187 351
9 103 463	8 474 945	9 103 463	8 474 945
901 175	1 057 938	901 175	1 057 938

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4
Current Portion of Ex-Gratia Pension Provisions - Note 4
Current Portion of Long-Service Provisions - Note 4
Performance Bonuses
Staff Leave
Pension Fund Investment Return Shortfall
Workman's Compensation Commissioner
TASK / Backpay Implementation

Total Current Employee Benefits

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance at beginning of year
Contribution to current portion
Expenditure incurred
Balance at end of year

1 594 884	1 383 396	1 594 884	1 383 396
23 089	52 150	23 089	52 150
661 151	419 664	661 151	419 664
580 803	840 470	580 803	840 470
6 452 323	5 907 136	6 452 323	5 907 136
1 978 444	1 664 780	1 978 444	1 664 780
2 863 681	2 166 799	2 863 681	2 166 799
234 671	728 968	234 671	728 968
14 389 046	13 163 363	14 389 046	13 163 363
840 470	754 488	840 470	754 488
249 319	505 434	249 319	505 434
(508 986)	(419 451)	(508 986)	(419 451)
580 803	840 470	580 803	840 470

Performance bonuses are being paid to the Municipal Manager and Section 57 Directors after an evaluation of performance by the council. There is no possibility of reimbursement.



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7	CURRENT EMPLOYEE BENEFITS (CONTINUED)	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
	<u>Staff Leave</u>				
	Balance at beginning of year	5 907 136	5 303 174	5 907 136	5 303 174
	Contribution to current portion	1 264 022	1 008 345	1 264 022	1 008 345
	Expenditure incurred	(718 835)	(404 383)	(718 835)	(404 383)
	Balance at end of year	6 452 323	5 907 136	6 452 323	5 907 136
	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.				
	<u>Pension Fund Investment Return Shortfall</u>				
	Balance at beginning of year	1 664 780	-	1 664 780	-
	Contribution to current portion	313 665	1 664 780	313 665	1 664 780
	Balance at end of year	1 978 444	1 664 780	1 978 444	1 664 780
	The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.				
	<u>Workman's Compensation Commissioner</u>				
	Balance at beginning of year	2 166 799	2 166 799	2 166 799	2 166 799
	Balance previously reported	-	-	-	-
	Workman's compensation expenditure not recognised from 1 July 2006 to 30 June 2009 due to no assessments received from the Commissioner - Note 38.03	-	1 635 420	-	1 635 420
	Workman's compensation expenditure not recognised due to no assessments received from the Commissioner - Note 38.03	-	531 379	-	531 379
	Contribution to current portion	554 198	-	554 198	-
	Penalties incurred	142 683	-	142 683	-
	Balance at end of year	2 863 681	2 166 799	2 863 681	2 166 799
	The municipality did not receive any assessments for Workman's Compensation Contributions since 2006 and assessment was now received for the full period. There is no possibility of reimbursement.				
	<u>Task / Backpay Implementation</u>				
	Balance at beginning of year	728 968	-	728 968	-
	Contribution to current portion	449 633	728 968	449 633	728 968
	Expenditure incurred	(943 930)	-	(943 930)	-
	Balance at end of year	234 671	728 968	234 671	728 968
	An agreement was reached on the implementation of a national salary grading structure with backpay to be paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.				
8	PROVISIONS				
	Current Portion of Rehabilitation of Landfill-sites - Note 5	3 458 716	1 010 860	3 458 716	1 010 860
	Total Provisions	3 458 716	1 010 860	3 458 716	1 010 860
9	PAYABLES FROM EXCHANGE TRANSACTIONS				
	Trade payables	21 808 195	11 526 460	21 808 195	11 515 020
	Payments received in advance	4 675 262	4 578 427	4 675 262	4 578 427
	Retentions	5 653 095	5 792 263	5 653 095	5 792 263
	Hoarding fees	2 455 147	1 803 829	2 455 147	1 803 829
	Other payables	1 861 432	2 261 145	1 847 312	2 248 145
	Deposits: Other	394 563	361 194	394 563	361 194
	Total Trade Payables	36 847 695	26 323 318	36 833 575	26 298 878
	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.				
	Other deposits include Hall, Builders and Housing Deposits.				
10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS				
	Unspent Grants	7 652 883	8 413 996	5 633 600	8 413 996
	National Government Grants	3 915 997	5 902 934	3 915 997	5 902 934
	Provincial Government Grants	838 624	1 053 801	838 624	1 053 801
	Other Sources	2 898 262	1 457 261	878 980	1 457 261
	Less: Unpaid Grants	3 571 365	7 906 385	3 571 365	7 906 385
	National Government Grants	3 042 152	5 315 156	3 042 152	5 315 156
	Provincial Government Grants	430 526	2 159 208	430 526	2 159 208
	Other Sources	98 688	432 021	98 688	432 021
	Total Conditional Grants and Receipts	4 081 517	507 611	2 062 235	507 611
	Refer to Note 25 for more information				

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11	UNSPENT PUBLIC CONTRIBUTIONS	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
	Unspent Grants	4 500	-	4 500	-
	Roads-Welbedacht	4 500	-	4 500	-
	Total Conditional Grants and Receipts	4 500	-	4 500	-

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

12	TAXES	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
	VAT Payable	(304 461)	-	-	-
	VAT Receivable	603 589	5 460 228	603 589	5 460 228
		299 129	5 460 228	603 589	5 460 228

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



KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 PROPERTY, PLANT AND EQUIPMENT

Economic Entity	Opening Balance				Work-in-Progress		Cost		Transfer		Closing Balance		Accumulated Depreciation			Accumulated Impairments		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Reconciliation of Carrying Value																			
30 JUNE 2011																			
Land and Buildings	256 817 000	823 000	298 415	-	32 951 957	290 890 372	-	212 189	-	(212 189)	-	52 867 736	-	(33 164 146)	33 164 146	-	-	290 890 372	
Buildings	20 597 000	-	298 415	-	2 645 957	23 541 372	-	212 189	-	(212 189)	-	-	-	(2 858 146)	2 858 146	-	-	23 541 372	
Land	236 220 000	823 000	-	-	30 306 000	267 349 000	-	-	-	-	-	-	-	(30 306 000)	30 306 000	-	-	267 349 000	
Infrastructure	523 446 200	15 017 606	30 227 383	-	-	568 691 188	-	12 466 496	-	-	-	52 867 736	-	-	-	-	-	515 823 452	
Sewerage	57 479 664	22 372 397	7 704 828	-	-	87 556 890	-	4 535 476	1 303 637	-	-	5 839 113	-	-	-	-	-	81 717 777	
Electricity	177 468 554	6 270 317	8 003 377	-	-	191 732 248	-	8 340 912	4 754 415	-	-	13 085 327	-	-	-	-	-	178 636 921	
Water	177 102 318	(15 045 828)	11 664 177	-	-	173 720 667	-	10 149 948	3 366 238	-	-	13 516 185	-	-	-	-	-	160 204 482	
Road	110 211 633	1 377 374	2 855 000	-	-	114 444 007	-	17 028 675	2 912 168	-	-	19 940 842	-	-	-	-	-	94 503 164	
Security Measures	1 194 030	43 346	-	-	-	1 237 376	-	346 229	130 038	-	-	476 267	-	-	-	-	-	761 109	
Community Assets	22 202 172	17 871	-	-	2 719 362	24 939 405	-	1 502 590	218 702	-	(134 757)	1 586 536	-	(2 854 119)	2 854 119	-	-	23 352 869	
Lease Assets	5 715 481	2 902 983	-	-	-	8 618 464	-	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	-	4 270 272	
Office Equipment	5 715 481	2 902 983	-	-	-	8 618 464	-	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	-	4 270 272	
Heritage Assets	1 568 596	-	-	-	156 000	1 714 596	-	1 548	1 548	-	-	3 096	-	(156 000)	156 000	-	-	1 711 500	
Other Assets	65 589 008	4 954 597	-	-	9 250 377	61 293 229	-	23 235 212	4 169 097	8 711 927	-	18 692 382	-	-	-	-	-	42 600 847	
Bins & Containers	949 248	-	-	-	-	949 248	-	174 047	63 283	-	-	237 329	-	-	-	-	-	711 919	
Bulk Containers	949 248	-	-	-	-	949 248	-	174 047	63 283	-	-	237 329	-	-	-	-	-	711 919	
Other Assets	16 888 749	907 689	-	-	4 442 725	13 353 613	-	8 815 308	1 371 425	4 406 819	-	5 779 914	-	-	-	-	-	7 573 699	
Tip Sites	941 490	-	-	-	-	941 490	-	423 163	7 953	-	-	431 136	-	-	-	-	-	510 353	
In & Outdoor Sport Facilities	72 418	-	-	-	-	72 418	-	33 141	3 620	-	-	36 761	-	-	-	-	-	35 657	
Other Plant & Equipment	14 680 527	712 546	-	-	3 991 458	11 401 614	-	7 486 657	1 228 936	3 956 127	-	4 759 466	-	-	-	-	-	6 642 148	
Laboratory Equipment	90 673	192 670	-	-	42	283 301	-	54 442	6 175	40	-	60 576	-	-	-	-	-	222 725	
Equipment Fire	150 894	-	-	-	-	150 894	-	41 806	14 848	-	-	56 654	-	-	-	-	-	94 240	
Lawnmowers	266 304	-	-	-	102 337	163 967	-	224 378	32 404	102 327	-	154 455	-	-	-	-	-	9 512	
Radio Equipment	686 444	2 373	-	-	348 888	339 929	-	551 702	77 489	348 325	-	280 865	-	-	-	-	-	59 063	
Office Equipment	15 510 120	1 638 629	-	-	3 818 702	13 330 048	-	7 578 570	1 303 588	3 810 804	-	5 071 355	-	-	-	-	-	8 258 693	
Air Conditioners	1 034 891	31 092	-	-	-	1 065 983	-	406 680	51 850	-	-	458 530	-	-	-	-	-	607 453	
Computer Hardware	8 385 487	1 077 795	-	-	2 293 103	7 170 179	-	6 412 193	838 575	2 291 962	-	4 958 806	-	-	-	-	-	2 211 372	
Office Machines	1 161 671	77 338	-	-	461 334	777 674	-	(3 065 011)	102 090	460 636	-	(3 423 557)	-	-	-	-	-	4 201 231	
Cabinets & Cupboards	4 723 397	436 045	-	-	986 241	4 173 201	-	3 644 157	292 330	980 444	-	2 956 044	-	-	-	-	-	1 217 158	
Other Furniture	204 674	16 360	-	-	78 023	143 010	-	180 552	18 742	77 763	-	121 532	-	-	-	-	-	21 479	
Vehicles	32 240 891	2 408 380	-	-	988 951	33 660 320	-	6 667 287	1 430 801	494 305	-	7 603 784	-	-	-	-	-	26 056 536	
Motor Vehicles	1 081 803	-	-	-	-	1 081 803	-	637 041	94 080	-	-	731 122	-	-	-	-	-	350 682	
Trucks & LDVs	22 563 635	2 390 430	-	-	978 863	23 975 202	-	1 557 483	1 085 716	492 852	-	2 150 357	-	-	-	-	-	21 824 845	
Motor Cycles	350 896	-	-	-	-	350 896	-	283 061	24 825	-	-	307 886	-	-	-	-	-	43 010	
Motor Cars	3 293 702	-	-	-	-	3 293 702	-	109 978	109 978	-	-	1 011 391	-	-	-	-	-	2 282 311	
Tractors	1 783 491	-	-	-	-	1 783 491	-	1 160 489	47 128	-	-	1 207 618	-	-	-	-	-	575 873	
Trailers	1 650 149	17 950	-	-	10 088	1 658 011	-	1 251 422	41 009	1 452	-	1 290 978	-	-	-	-	-	367 033	
Graders	1 517 214	-	-	-	-	1 517 214	-	876 369	28 064	-	-	904 431	-	-	-	-	-	612 781	
	875 328 456	23 716 057	30 525 798	9 250 377	35 827 319	956 147 253	-	68 089 388	18 467 427	8 711 927	(346 946)	77 497 941	-	(36 174 265)	36 174 265	-	-	878 649 312	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Knysna Municipality

30 JUNE 2011

Reconciliation of Carrying Value

	Opening Balance			Work-in-Progress			Cost			Accumulated Depreciation			Accumulated Impairments			Carrying Value			
	R	R	R	Progress	Disposals	Transfer	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	Opening Balance	(Gains)/ Losses	Transfer to cost	Closing Balance	R	R	
Land and Buildings																			
Buildings	256 817 000	823 000	298 415	-	-	32 951 957	290 890 372	-	212 189	-	(212 189)	-	-	(33 164 146)	33 164 146	-	290 890 372	-	23 541 372
Land	236 220 000	823 000	298 415	-	-	30 306 000	267 349 000	-	212 189	-	(212 189)	-	-	(2 858 146)	2 858 146	-	267 349 000	-	267 349 000
Infrastructure																			
Sewerage	57 479 664	22 372 397	7 704 828	-	-	-	87 556 890	4 535 476	1 303 637	-	-	5 839 113	-	-	-	-	81 717 777	-	178 636 921
Electricity	177 468 554	6 270 317	8 003 377	-	-	-	191 732 248	8 340 912	4 754 415	-	-	13 095 327	-	-	-	-	160 204 482	-	160 204 482
Water	177 102 318	(15 045 828)	11 664 177	-	-	-	173 720 667	10 149 948	3 366 238	-	-	13 516 185	-	-	-	-	94 503 164	-	94 503 164
Road	110 211 633	1 377 374	2 855 000	-	-	-	114 444 007	17 028 675	2 912 168	-	-	19 940 842	-	-	-	-	761 109	-	761 109
Security Measures	1 194 030	43 346	-	-	-	-	1 237 376	346 229	130 038	-	-	476 267	-	-	-	-	23 352 869	-	4 270 272
Community Assets																			
Lease Assets	22 202 172	17 871	-	-	-	2 719 362	24 939 405	1 502 590	218 702	-	(134 757)	1 586 536	-	(2 854 119)	2 854 119	-	4 270 272	-	4 270 272
Office Equipment	5 715 481	2 902 983	-	-	-	-	8 618 464	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	1 711 800	-	42 538 985
Heritage Assets																			
Office Equipment	5 715 481	2 902 983	-	-	-	-	8 618 464	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	1 711 800	-	42 538 985
Other Assets																			
Office Equipment	1 558 596	-	-	-	-	156 000	1 714 596	1 548	1 948	-	-	3 096	-	(156 000)	156 000	-	1 711 800	-	42 538 985
Other Assets																			
65 550 468	4 925 954	9 250 377	-	-	-	61 226 045	23 234 612	4 164 374	8 711 927	-	-	18 687 059	-	-	-	-	1 711 800	-	42 538 985
Bins & Containers																			
Bulk Containers	949 248	-	-	-	-	-	949 248	174 047	63 283	-	-	237 329	-	-	-	-	711 919	-	711 919
Other Assets	16 888 749	907 589	-	-	4 442 725	-	13 353 613	8 815 308	1 371 425	-	-	5 779 914	-	-	-	-	7 573 699	-	7 573 699
Tip Sites	941 490	-	-	-	-	-	941 490	423 183	7 953	-	-	431 136	-	-	-	-	510 353	-	510 353
In & Outdoor Sport Facilities	72 418	-	-	-	-	-	72 418	33 141	3 620	-	-	36 761	-	-	-	-	35 657	-	35 657
Other Plant & Equipment	14 680 527	712 546	-	-	3 991 458	-	11 401 614	7 486 657	1 228 936	-	-	4 759 466	-	-	-	-	6 642 148	-	6 642 148
Laboratory Equipment	90 673	192 670	-	-	42	-	283 301	54 442	6 175	-	-	60 576	-	-	-	-	222 725	-	222 725
Equipment Fire	150 894	-	-	-	-	-	150 894	41 806	14 848	-	-	56 654	-	-	-	-	94 240	-	94 240
Lawnmowers	266 304	-	-	-	102 337	-	163 967	224 378	32 404	-	-	154 455	-	-	-	-	9 512	-	9 512
Radio Equipment	686 444	2 373	-	-	348 888	-	339 929	551 702	77 489	-	-	280 865	-	-	-	-	59 063	-	59 063
Office Equipment	15 471 579	1 609 986	-	-	3 818 702	-	13 262 863	7 577 970	1 298 866	-	-	5 066 032	-	-	-	-	8 196 831	-	8 196 831
Air Conditioners	1 034 891	31 092	-	-	-	-	1 065 983	406 680	51 850	-	-	458 530	-	-	-	-	607 453	-	607 453
Computer Hardware	8 385 487	1 065 399	-	-	2 293 103	-	6 412 193	6 412 193	837 988	-	-	4 958 219	-	-	-	-	2 199 564	-	2 199 564
Office Machines	1 161 671	77 338	-	-	461 334	-	777 674	(3 065 011)	102 090	-	-	(3 423 557)	-	-	-	-	4 201 231	-	4 201 231
Cabinets & Cupboards	4 684 856	419 797	-	-	986 241	-	4 118 413	3 643 557	288 195	-	-	2 951 309	-	-	-	-	1 167 104	-	1 167 104
Other Furniture	204 674	16 360	-	-	78 023	-	180 552	180 552	18 742	-	-	121 532	-	-	-	-	21 479	-	21 479
Vehicles																			
Motor Vehicles	32 240 891	2 408 380	-	-	988 951	-	33 660 320	6 667 287	1 430 801	-	-	7 603 784	-	-	-	-	26 056 536	-	26 056 536
Motor Cycles	1 081 803	-	-	-	-	-	1 081 803	637 041	94 080	-	-	731 122	-	-	-	-	350 882	-	350 882
Trucks & LDVs	22 563 635	2 390 430	-	-	978 863	-	23 975 202	1 557 493	1 085 716	-	-	2 150 357	-	-	-	-	21 824 845	-	21 824 845
Motor Cycles	350 896	-	-	-	-	-	350 896	283 061	24 825	-	-	307 886	-	-	-	-	43 010	-	43 010
Motor Cars	3 293 702	-	-	-	-	-	3 293 702	901 412	109 978	-	-	1 011 391	-	-	-	-	2 282 311	-	2 282 311
Tractors	1 783 491	-	-	-	-	-	1 783 491	1 160 489	47 128	-	-	1 207 618	-	-	-	-	575 873	-	575 873
Trailers	1 650 149	17 950	-	-	10 088	-	1 658 011	1 251 422	41 009	-	-	1 290 978	-	-	-	-	367 033	-	367 033
Graders	1 517 214	-	-	-	-	-	1 517 214	876 369	28 064	-	-	904 433	-	-	-	-	612 781	-	612 781
TOTAL	875 289 915	23 687 414	30 525 798	9 250 377	35 827 319	956 080 069	68 085 788	18 462 704	8 711 927	(346 946)	77 492 619	(36 174 265)	36 174 265	878 887 450	-	-	878 887 450	-	878 887 450

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 PROPERTY, PLANT AND EQUIPMENT

Economic Entity

30 JUNE 2010

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairments				Carrying Value						
	Opening Balance	B/F Adjustments	Opening Balance Trf	Work-in-Progress	Additions	Disposals	Transfer	Closing Balance	Opening Balance Trf		Closing Balance				
									R	R		R	R	R	R
Land and Buildings	178 015 697	163 373 783	(26 257 044)	1 818 085	-	-	(60 133 521)	256 817 000	23 331 408	2 925 636	(26 257 044)	60 133 521	-	-	256 817 000
Buildings	160 008 795	(134 403 316)	(1 998 044)	1 818 085	-	-	(4 828 521)	20 597 000	23 331 408	(21 333 364)	(1 998 044)	4 828 521	-	-	20 597 000
Land	18 006 902	297 777 098	(24 259 000)	-	-	-	(55 305 000)	236 220 000	-	24 259 000	(24 259 000)	55 305 000	-	-	236 220 000
Infrastructure	375 024 879	56 765 607	-	52 417 012	39 238 702	-	-	523 446 200	151 831 822	(128 209 877)	-	16 779 294	-	-	483 044 960
Sewerage	50 564 320	6 555 236	-	360 108	-	-	-	57 479 664	19 583 314	(16 873 341)	-	1 825 504	-	-	52 944 188
Electricity	104 912 412	54 351 136	-	16 276 827	1 918 180	-	-	177 458 554	35 301 950	(31 859 429)	-	4 838 391	-	-	169 117 642
Water	123 047 478	(6 817 710)	-	23 496 238	37 176 312	-	-	177 102 318	43 327 111	(37 253 146)	-	4 075 982	-	-	166 952 370
Road	93 589 234	5 663 764	-	10 814 424	144 210	-	-	110 211 633	52 165 579	(40 755 291)	-	5 618 387	-	-	93 182 656
Security Measures	2 911 435	(3 188 819)	-	1 469 414	-	-	-	1 194 030	1 453 868	(1 428 670)	-	321 300	-	-	847 801
Community Assets	22 943 292	4 421 775	(1 972 832)	1 073 708	250 121	-	(4 513 891)	22 202 172	7 106 821	(4 475 234)	(1 972 832)	5 357 727	-	(4 513 891)	20 689 581
Lease Assets	5 292 635	(948 900)	-	1 502 746	-	133 000	-	5 715 481	3 022 751	(943 367)	-	1 001 430	132 017	-	2 766 683
Office Equipment	5 292 635	(948 900)	-	1 502 746	-	133 000	-	5 715 481	3 022 751	(943 367)	-	1 001 430	132 017	-	2 766 683
Heritage Assets	742 562	1 206 735	(123 000)	14 250	-	-	(281 952)	1 568 596	148 399	(23 851)	(123 000)	281 952	-	1 548	1 557 048
Other Assets	61 156 298	1 013 544	-	3 506 910	-	87 743	-	65 589 008	35 945 961	(16 561 208)	-	3 898 345	47 886	-	42 353 796
Bins & Containers	397 578	-	-	551 670	-	-	-	949 248	324 599	(246 304)	-	95 751	-	-	775 202
Bulk Containers	397 578	-	-	551 670	-	-	-	949 248	324 599	(246 304)	-	95 751	-	-	775 202
Other Assets	15 515 819	876 161	-	529 355	-	32 586	-	16 888 749	10 007 153	(2 892 691)	-	1 252 619	16 803	-	8 544 473
Tip Sites	941 489	0	-	-	-	-	-	941 490	385 784	(335 680)	-	36 087	-	-	855 299
In & Outdoor Sport Facilities	42 440	(0)	-	29 979	-	-	-	72 418	28 521	(17 553)	-	4 458	-	-	56 992
Other Plant & Equipment	13 538 565	876 161	-	286 181	-	30 381	-	14 680 527	8 840 818	(2 304 106)	-	1 092 334	14 599	-	7 066 079
Laboratory Equipment	90 673	-	-	-	-	-	-	90 673	39 476	(29 936)	-	14 441	-	-	66 683
Equipment Fire	91 948	(0)	-	58 946	-	-	-	150 894	24 204	(17 944)	-	16 984	-	-	127 650
Lawnmowers	203 765	0	-	62 539	-	-	-	266 304	171 100	(69 324)	-	51 409	-	-	133 119
Radio Equipment	606 939	0	-	81 710	-	2 205	-	686 444	511 251	(98 148)	-	36 905	-	-	238 640
Office Equipment	13 679 135	141 822	-	1 740 548	-	57 385	-	15 510 120	10 241 181	(3 840 852)	-	1 209 324	31 083	-	7 931 550
Air Conditioners	645 563	(0)	-	389 329	-	-	-	1 034 891	321 015	(253 891)	-	82 660	-	-	885 108
Computer Hardware	7 488 170	112 602	-	812 928	-	28 214	-	8 385 487	5 668 294	(1 846 238)	-	705 859	14 375	-	3 873 946
Office Machines	1 054 431	371	-	127 005	-	20 137	-	1 161 671	780 462	(209 636)	-	84 704	13 710	-	520 050
Cabinets & Cupboards	4 306 960	8 185	-	411 286	-	3 034	-	4 723 397	3 294 070	(1 448 424)	-	334 064	2 998	-	2 545 786
Other Furniture	184 010	20 664	-	-	-	-	-	204 674	178 440	(62 463)	-	2 038	-	-	106 660
Vehicles	31 563 765	(4 439)	-	685 337	-	3 772	-	32 240 891	15 379 028	(9 581 361)	-	1 340 651	-	-	25 102 572
Motor Vehicles	2 213 708	(1 131 904)	-	376 603	-	-	-	1 081 803	529 828	(156 702)	-	53 514	-	-	655 163
Trucks & LDVs	22 370 034	(183 002)	-	-	-	-	-	22 563 635	10 958 560	(6 824 942)	-	997 578	-	-	17 434 440
Motor Cycles	1 318 871	(0)	-	32 026	-	-	-	350 896	240 687	(162 765)	-	21 151	-	-	59 053
Motor Cars	1 283 126	2 010 576	-	-	-	-	-	3 293 702	753 777	(258 110)	-	73 691	-	-	2 724 344
Tractors	1 881 491	(98 000)	-	-	-	-	-	1 783 491	1 018 967	(735 069)	-	-	-	-	1 428 953
Trailers	1 520 716	57 299	-	72 134	-	-	-	1 650 149	1 149 290	(816 549)	-	50 978	-	-	1 266 430
Graders	1 975 820	(659 409)	-	204 574	-	3 772	-	1 517 214	729 919	(627 204)	-	73 099	-	-	1 341 400
	643 175 362	225 834 544	(28 352 876)	60 332 711	39 488 823	220 743	(64 929 364)	875 328 456	221 387 163	(147 287 901)	(28 352 876)	87 452 269	903	(64 929 364)	807 239 068

KNYSNA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 PROPERTY, PLANT AND EQUIPMENT

Knysna Municipality

30 JUNE 2010

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairments				Carrying Value			
	Opening Balance	B/F Adjustments	Opening Balance Trf	Additions	Work-in-Progress	Disposals	Transfer	Closing Balance	Opening Balance Trf		Closing Balance	
									R	R		R
Land and Buildings	178 015 697	163 373 783	(26 257 044)	1 818 085	-	-	(60 133 521)	256 817 000	60 133 521	-	-	256 817 000
Buildings	160 008 795	(134 403 316)	(1 998 044)	1 818 085	-	-	(4 828 521)	20 597 000	4 828 521	-	(4 828 521)	20 597 000
Land	18 006 902	297 777 098	(24 259 000)	-	-	-	(55 305 000)	236 220 000	55 305 000	-	(55 305 000)	236 220 000
Infrastructure	375 024 879	56 765 607	-	52 417 012	39 238 702	-	-	523 446 200	16 779 294	-	-	483 044 960
Sewerage	50 564 320	6 555 236	-	360 108	-	-	-	57 479 664	1 825 504	-	-	52 944 188
Electricity	104 912 412	54 351 136	-	16 276 827	1 918 180	-	-	177 458 554	4 938 391	-	-	169 117 642
Water	123 047 478	(6 617 710)	-	23 496 238	37 176 312	-	-	177 102 318	4 075 982	-	-	166 952 370
Road	93 589 234	5 663 764	-	10 814 424	144 210	-	-	110 211 633	5 618 387	-	-	93 182 956
Security Measures	2 911 435	(3 186 619)	-	1 469 414	-	-	-	1 194 030	321 030	-	-	847 801
Community Assets	22 943 292	4 421 775	(1 972 832)	1 073 708	250 121	-	(4 513 891)	22 202 172	5 357 727	-	(4 513 891)	20 699 581
Lease Assets	5 292 635	(946 900)	-	1 502 746	-	-	-	5 715 481	1 001 430	-	-	2 766 683
Office Equipment	5 292 635	(946 900)	-	1 502 746	-	-	-	5 715 481	1 001 430	-	-	2 766 683
Heritage Assets	742 562	1 206 735	(123 000)	14 250	-	-	(281 952)	1 558 596	(23 851)	(123 000)	-	1 557 048
Other Assets	61 156 298	1 013 544	-	3 468 369	-	-	87 743	65 550 468	3 897 745	-	(281 952)	42 315 855
Bins & Containers	397 578	-	-	551 670	-	-	-	949 248	95 751	-	-	775 202
Bulk Containers	397 578	-	-	551 670	-	-	-	949 248	95 751	-	-	775 202
Other Assets	15 515 819	876 161	-	529 355	-	-	32 586	16 888 749	1 252 619	-	-	8 344 277
Tip Sites	941 489	0	-	0	-	-	-	941 490	36 087	-	-	855 299
In & Outdoor Sport Facilities	42 440	(0)	-	29 979	-	-	-	72 418	4 458	-	-	56 992
Other Plant & Equipment	13 538 565	876 161	-	296 181	-	-	30 381	14 680 527	1 092 334	-	-	7 066 079
Laboratory Equipment	90 673	-	-	-	-	-	-	90 673	14 441	-	-	66 693
Equipment Fire	91 948	(0)	-	58 946	-	-	-	150 894	16 984	-	-	127 650
Lawnmowers	203 765	0	-	62 539	-	-	-	266 304	16 984	-	-	133 119
Radio Equipment	608 939	0	-	81 710	-	-	2 205	686 444	36 905	-	-	238 640
Office Equipment	13 679 135	141 822	-	1 702 007	-	-	57 385	15 471 579	1 208 724	-	-	7 893 609
Air Conditioners	645 563	(0)	-	389 329	-	-	-	1 034 891	82 660	-	-	885 108
Computer Hardware	7 488 170	112 602	-	812 928	-	-	28 214	8 385 487	705 859	-	-	3 873 946
Office Machines	1 054 431	371	-	127 005	-	-	20 137	1 161 671	84 704	-	-	520 050
Cabinets & Cupboards	4 306 960	8 185	-	372 745	-	-	3 034	4 684 856	333 464	-	-	2 507 844
Other Furniture	184 010	20 664	-	-	-	-	-	204 674	2 038	-	-	106 660
Vehicles	31 563 765	(4 439)	-	685 337	-	-	3 772	32 240 891	1 340 651	-	-	25 102 572
Motor Vehicles	2 213 708	(1 131 904)	-	376 603	-	-	-	1 081 803	53 514	-	-	655 163
Trucks & LDVs	22 370 034	(183 002)	-	32 026	-	-	-	22 563 635	997 578	-	-	17 434 440
Motor Cycles	318 871	(0)	-	-	-	-	-	318 871	21 151	-	-	251 844
Motor Cars	1 283 126	2 010 576	-	-	-	-	-	3 293 702	73 691	-	-	2 724 344
Tractors	1 881 491	(98 000)	-	-	-	-	-	1 783 491	70 639	-	-	1 428 953
Trailers	1 520 716	57 299	-	72 134	-	-	-	1 650 149	50 978	-	-	1 266 430
Graders	1 975 820	(659 409)	-	204 574	-	-	3 772	1 517 214	73 099	-	-	1 341 400
GRAP 17 - Property, Plant and Equipment	643 175 362	225 834 544	(28 352 876)	60 294 170	39 488 823	220 743	(64 929 364)	875 289 915	87 451 669	(147 287 901)	(28 352 876)	807 201 127

GRAP 17 - Property, Plant and Equipment

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Changes to Cost / Fair Value	2010
Changes to Accumulated Depreciation	225 834 544
Opening balance revaluation adjustments	147 287 901
Total not previously recognised now restated retrospectively	(28 352 876)
	344 769 568

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
	Fully Depreciated assets still in use were as follows:				
	Cost	-	68 598 878	-	68 598 878
	Land and Buildings	-	277 059	-	277 059
	Infrastructure	-	49 190 862	-	49 190 862
	Community Assets	-	648 872	-	648 872
	Other	-	18 482 086	-	18 482 086
	Accumulated depreciation	-	68 590 322	-	68 590 322
	Land and Buildings	-	277 048	-	277 048
	Infrastructure	-	49 190 333	-	49 190 333
	Community Assets	-	648 853	-	648 853
	Other	-	18 474 089	-	18 474 089
	Carrying value	-	8 556	-	8 556
	The municipality reviewed the original useful lives of all Property, Plant and Equipment as part of the implementation of Directive 4, and restated the results of the reviews retrospectively as correction of errors, since the original useful lives allocated were not correct.				
	Carrying value of assets retired from active use and held for disposal:	-	-	-	-
	Carrying value of temporarily idle property plant and equipment:	-	-	-	-
	Assets pledged as security:	-	-	-	-
	Third party payments received for losses incurred:				
	Payments received (Excluding VAT)	616 811	429 835	616 811	429 835

14	NON-CURRENT ASSETS HELD FOR SALE				
	Non-current assets held for sale at beginning of year - at book value	19 215	19 209	19 215	19 209
	Additions for the year	(19 215)	6	(19 215)	6
	Non-current assets held for sale at end of year - at book value	-	19 215	-	19 215

15	INVESTMENT PROPERTY				
	Net Carrying amount at 1 July	142 103 000	175 485 002	142 103 000	175 485 002
	At Fair Value	142 103 000	175 485 002	142 103 000	175 485 002
	Balance previously reported - At cost	-	196 696	-	196 696
	Correction of error - Note 38.1	-	175 288 306	-	175 288 306
	Accumulated depreciation	-	-	-	-
	Balance previously reported - Accumulated depreciation	-	(88 108)	-	(88 108)
	Correction of error - Note 38.1	-	88 108	-	88 108
	Depreciation for the year	-	-	-	-
	Balance previously reported - Depreciation for the year	-	(6 365)	-	(6 365)
	Correction of error - Note 38.1	-	6 365	-	6 365
	Fair value adjustments	18 338 000	(33 382 002)	18 338 000	(33 382 002)
	Balance previously reported - Fair value adjustments	-	-	-	-
	Correction of error - Note 38.1	-	(33 382 002)	-	(33 382 002)
	Net Carrying amount at 30 June	160 441 000	142 103 000	160 441 000	142 103 000
	Fair Value	160 441 000	142 103 000	160 441 000	142 103 000
	Accumulated Depreciation	-	-	-	-

GRAP 16 - Investment Properties

The municipality did not measure the Investment Properties in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Investment Properties at fair value	-	175 288 306	-	175 288 306
Accumulated depreciation on Investment Properties	-	94 473	-	94 473
Fair value adjustments	-	(33 382 002)	-	(33 382 002)
Total not previously recognised now restated retrospectively	-	142 000 776	-	142 000 776
Revenue derived from the rental of investment property	2 338 093	634 211	2 338 093	634 211

There are no 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.

The Fair Value of Investment properties were determined by a qualified valuer based on current market prices.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
16 INTANGIBLE ASSETS				
Computer Software				
Net Carrying amount at 1 July	177 516	411 575	177 516	411 575
Cost - Restated 2010 - Note 38.09	2 315 638	2 313 600	2 315 638	2 313 600
Accumulated Amortisation - Restated 2010 - Note 38.09	(2 138 123)	(1 902 025)	(2 138 123)	(1 902 025)
Rounding adjustments	(3)	19	(3)	19
Amortisation	(89 380)	(234 079)	(89 380)	(234 079)
Net Carrying amount at 30 June	88 133	177 516	88 133	177 516
Cost	2 315 638	2 315 638	2 315 638	2 315 638
Accumulated Amortisation	(2 227 505)	(2 138 123)	(2 227 505)	(2 138 123)
	<u>Remaining Amortisation</u>			
	<u>Period</u>			
<u>Description</u>				
Computer software	88 133	177 516	88 133	177 516
No intangible assets were assessed having an indefinite useful life.				
There are no intangible assets whose title is restricted.				
There are no intangible assets pledged as security for liabilities				
There are no contractual commitments for the acquisition of intangible assets.				
Fully amortised intangible assets still in use were as follows:				
Cost	-	1 118 710	-	1 118 710
Land and Buildings	-	1 118 710	-	1 118 710
Accumulated depreciation	-	1 118 672	-	1 118 672
Land and Buildings	-	1 118 672	-	1 118 672
Carrying value	-	38	-	38
17 NON-CURRENT INVESTMENTS				
Unlisted	14 983 550	13 295 234	16 715 984	13 513 276
Investment in Entity - Knysna Economic Development Agency	-	-	1 732 435	218 042
Other Fixed Deposits - at fair value	14 983 550	13 295 234	14 983 550	13 295 234
Less: Provision for impairment - Knysna Economic Development Agency	-	-	(1 732 434)	(218 041)
Total Non-Current Investments	14 983 550	13 295 234	14 983 551	13 295 235
Reconciliation of Provision for Bad Debts				
Balance at beginning of year	-	-	218 041	-
Contribution/(Reduction) to provision	-	-	1 514 393	218 041
Balance at end of year	-	-	1 732 434	218 041
The average interest rate was 6,26% (2010: 8,04%).				
Investments made to serve as collateral security for staff housing loans:	17 443	17 183	17 443	17 183
Fixed Deposits of R 14,966,107 (2010: R 13,277,790) have been pledged to DBSA as guarantees on external loans taken up.				
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.				
The investment in the entity has been impaired due to uncertainty whether there will be any refund in the future.				
18 LONG TERM RECEIVABLES				
Land Sales - Morcana Investments	194 920	186 062	194 920	186 062
Staff Housing loans - At amortised cost	16 025	37 061	16 025	37 061
Old Age Homes / Creche - At amortised cost	863 778	1 561 851	863 778	1 561 851
Sundry deposits - At amortised cost	6 800	6 800	6 800	6 800
	1 081 523	1 791 774	1 081 523	1 791 774
Less: Unamortised Discount on Loans	(5 230)	(8 312)	(5 230)	(8 312)
Balance at beginning of year	(8 312)	(11 677)	(8 312)	(11 677)
Adjustment for the period	3 082	3 365	3 082	3 365
Less: Current portion transferred to current receivables	(62 931)	(118 433)	(62 931)	(118 433)
Staff Loans - At amortised cost	(4 799)	(18 047)	(4 799)	(18 047)
Old Age Homes - At amortised cost	(58 132)	(100 386)	(58 132)	(100 386)
	1 013 362	1 665 029	1 013 362	1 665 029
Less: Provision for Impairment of Long Term Receivables	(546 086)	(1 202 511)	(546 086)	(1 202 511)
Total Long Term Receivables	467 276	462 518	467 276	462 518
The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables 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.				

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
18 LONG TERM RECEIVABLES (CONTINUED)				
The total amount of the provision for doubtful debts created is R 546 086 (2010: R 1 202 511) and the following loans and receivables are included therein:				
Old Age Homes / Creche - At amortised cost	546 086	1 202 511	546 086	1 202 511
Total Provision for Bad Debts on Other	546 086	1 202 511	546 086	1 202 511
Reconciliation of Provision for Bad Debts				
Balance at beginning of year	1 202 511	1 260 666	1 202 511	1 260 666
Contribution/(Reduction) to provision	(23 259)	(58 155)	(23 259)	(58 155)
Bad Debts written off	(633 166)	-	(633 166)	-
Balance at end of year	546 086	1 202 511	546 086	1 202 511
STAFF HOUSING LOANS				
Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% to 13,5% per annum and the carrying value equals the discounted amount using the effective interest rate.				
OLD AGE HOMES				
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.				
Bad Debts written off : Vermont Old Age Home				
At it's meeting of 30 September 2010 Council resolved to write off all arears relating to the loan for Vermont Old Age Home. The R 633 166 relates to the capital balance of the loan owed to the Housing Development Fund which was written off. The loan was provided by Provincial Government and transferred to Council in the mid 1990's as part of the creation of the Housing Development Fund.				
19 INVENTORY				
Consumable Stores - Stationery and materials - At cost	745 640	589 226	745 640	589 226
Maintenance Materials - At cost	1 006 878	728 575	1 006 878	728 575
Water - At purification cost	469 113	363 718	469 113	363 718
Spare parts - At cost	1 616	3 085	1 616	3 085
Total Inventory	2 223 246	1 684 605	2 223 246	1 684 605
Consumable stores materials written down due to losses as identified during the annual stores counts.	69 742	9 433	69 742	9 433
Consumable stores materials surpluses identified during the annual stores counts.	56 614	23 247	56 614	23 247
Inventory recognised as an expense during the year	15 629 506	13 726 956	15 629 506	13 726 956
Dormant and slow moving inventory at year-end	118 196	162 235	118 196	162 235
20 RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Economic Entity				
	GROSS BALANCES	PROVISION FOR IMPAIRMENTS	NETT BALANCES	
	R	R	R	
As at 30 June 2011				
Electricity	21 933 157	1 980 302	19 952 854	
Water	22 894 742	12 033 697	10 861 044	
Rentals	1 954 050	1 602 970	351 079	
Refuse	10 066 788	5 057 588	5 009 201	
Sewerage	9 196 343	4 640 752	4 555 591	
Other Arrears	4 688 553	2 356 027	2 332 526	
Total : Trade receivables from exchange transactions	70 733 632	27 671 336	43 062 296	
As at 30 June 2010				
Electricity	19 239 693	1 218 798	18 020 896	
Water	17 546 792	8 205 376	9 341 416	
Rentals	3 188 456	2 210 825	977 631	
Balance previously reported	2 967 715	2 210 825	756 890	
Correction of error - Note 38.01	220 741	-	220 741	
Refuse	8 656 068	5 461 843	3 194 225	
Sewerage	8 206 900	4 430 925	3 775 975	
Other Arrears	4 315 998	-	4 315 998	
Total : Trade receivables from exchange transactions	61 153 907	21 527 766	39 626 141	

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Knysna Municipality

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
As at 30 June 2011			
Electricity	21 933 157	1 980 302	19 952 854
Water	22 894 742	12 033 697	10 861 044
Rentals	1 954 050	1 602 970	351 079
Refuse	10 066 788	5 057 588	5 009 201
Sewerage	9 196 343	4 640 752	4 555 591
Other Arrears	4 688 553	2 356 027	2 332 526
Total : Trade receivables from exchange transactions	70 733 632	27 671 336	43 062 296
As at 30 June 2010			
Electricity	19 239 693	1 218 798	18 020 896
Water	17 546 792	8 205 376	9 341 416
Rentals	3 188 456	2 210 825	977 631
Balance previously reported	2 967 715	2 210 825	756 890
Correction of error - Note 38.01	220 741	-	220 741
Refuse	8 656 068	5 461 843	3 194 225
Sewerage	8 206 900	4 430 925	3 775 975
Other Arrears	4 315 998	-	4 315 998
Total : Trade receivables from exchange transactions	61 153 907	21 527 766	39 626 141

The fair value of other receivables approximate their carrying value.

Ageing of Receivables from Exchange Transactions

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
<u>Electricity: Ageing</u>				
Current (0 - 30 days)	17 314 127	11 981 987	17 314 127	11 981 987
31 - 60 Days	1 038 744	2 699 038	1 038 744	2 699 038
61 - 90 Days	708 317	832 472	708 317	832 472
+ 90 Days	2 871 968	3 726 195	2 871 968	3 726 195
Total	21 933 157	19 239 693	21 933 157	19 239 693
<u>Water: Ageing</u>				
Current (0 - 30 days)	5 011 782	2 022 861	5 011 782	2 022 861
31 - 60 Days	1 336 163	1 534 215	1 336 163	1 534 215
61 - 90 Days	4 017 171	912 181	4 017 171	912 181
+ 90 Days	12 529 626	13 077 535	12 529 626	13 077 535
Total	22 894 742	17 546 792	22 894 742	17 546 792
<u>Refuse: Ageing</u>				
Current (0 - 30 days)	1 257 690	737 658	1 257 690	737 658
31 - 60 Days	629 599	396 657	629 599	396 657
61 - 90 Days	1 964 061	288 301	1 964 061	288 301
+ 90 Days	6 215 438	7 233 452	6 215 438	7 233 452
Total	10 066 788	8 656 068	10 066 788	8 656 068
<u>Sewerage: Ageing</u>				
Current (0 - 30 days)	883 821	508 903	883 821	508 903
31 - 60 Days	436 296	319 111	436 296	319 111
61 - 90 Days	1 637 441	252 563	1 637 441	252 563
+ 90 Days	6 238 784	7 126 322	6 238 784	7 126 322
Total	9 196 343	8 206 900	9 196 343	8 206 900
<u>Rentals: Ageing</u>				
Current (0 - 30 days)	344 519	162 996	344 519	162 996
31 - 60 Days	110 801	125 041	110 801	125 041
61 - 90 Days	90 768	102 895	90 768	102 895
+ 90 Days	1 407 962	2 797 524	1 407 962	2 797 524
Total	1 954 050	3 188 456	1 954 050	3 188 456
<u>Other: Ageing</u>				
Current (0 - 30 days)	857 334	1 056 600	857 334	1 056 600
31 - 60 Days	760 788	122 672	760 788	122 672
61 - 90 Days	281 630	100 203	281 630	100 203
+ 90 Days	2 788 800	3 036 523	2 788 800	3 036 523
Total	4 688 553	4 315 998	4 688 553	4 315 998
<u>Total: Ageing</u>				
Current (0 - 30 days)	25 669 273	16 471 006	25 669 273	16 471 006
31 - 60 Days	4 312 391	5 196 735	4 312 391	5 196 735
61 - 90 Days	8 699 389	2 488 615	8 699 389	2 488 615
+ 90 Days	32 052 578	36 997 551	32 052 578	36 997 551
Total	70 733 632	61 153 907	70 733 632	61 153 907

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	Economic Entity		Knysna Municipality	
	2011	2010	2011	2010
	R	R	R	R
Reconciliation of the Total doubtful debt provision				
Balance at beginning of the year	21 527 766	18 706 087	21 527 766	18 706 087
Contributions to provision	12 632 170	7 022 332	12 632 170	7 022 332
Doubtful debts written off against provision	(6 488 600)	(4 200 653)	(6 488 600)	(4 200 653)
Balance at end of year	27 671 336	21 527 766	27 671 336	21 527 766

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial	Other Debtors	National and Provincial Government	Total
	R's	R's	R's	R's
2011				
Total Receivables	62 207 377	7 411 123	1 115 132	70 733 632
Less: Provision for doubtful debts	(27 619 157)	(52 179)	-	(27 671 336)
Total Recoverable debtors by customer classification	34 588 219	7 358 944	1 115 132	43 062 296
2010				
Total Receivables	55 955 427	4 315 998	882 482	61 153 907
Less: Provision for doubtful debts	(21 448 153)	(79 613)	-	(21 527 766)
Total Recoverable debtors by customer classification	34 507 274	4 236 386	882 482	39 626 141

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Economic Entity		Knysna Municipality	
	2011	2010	2011	2010
	R	R	R	R
Other Receivables				
Rates	28 312 336	25 057 918	27 759 139	25 057 918
Miscellaneous	1 023 841	1 062 233	1 023 841	1 062 233
Total Other Receivables	29 336 177	26 120 151	28 782 980	26 120 151
Less: Allowance for Doubtful Debts	(8 912 908)	(5 985 674)	(8 912 908)	(5 985 674)
Net Other Receivables	20 423 269	20 134 477	19 870 072	20 134 477
Total Net Receivables from Non-Exchange Transactions	20 423 269	20 134 477	19 870 072	20 134 477

Ageing of Receivables from Non-Exchange Transactions**Rates: Ageing**

	2011	2010	2011	2010
	R	R	R	R
Current (0 - 30 days)	8 309 596	6 898 680	7 756 399	6 898 680
31 - 60 Days	1 832 166	2 165 070	1 832 166	2 165 070
61 - 90 Days	4 378 776	1 062 259	4 378 776	1 062 259
+ 90 Days	13 791 798	14 931 909	13 791 798	14 931 909
Total	28 312 336	25 057 918	27 759 139	25 057 918

Miscellaneous : Ageing

	2011	2010	2011	2010
	R	R	R	R
Current (0 - 30 days)	213 918	288 276	213 918	288 276
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	809 924	773 957	809 924	773 957
Total	1 023 841	1 062 233	1 023 841	1 062 233

Reconciliation of the Total doubtful debt provision

	Economic Entity		Knysna Municipality	
	2011	2010	2011	2010
	R	R	R	R
Balance at beginning of the year	5 985 675	1 297 405	5 985 675	1 297 405
Contributions to provision	3 135 457	4 924 883	3 135 457	4 924 883
Doubtful debts written off against provision	(208 223)	(236 614)	(208 223)	(236 614)
Balance at end of year	8 912 909	5 985 675	8 912 909	5 985 675

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

21 RECEIVABLES FROM EXCHANGE- AND NON-EXCHANGE TRANSACTIONS

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

Trade and other receivables impaired

	Exchange Transactions	Non-Exchange Transactions	Total
	R's	R's	R's
2011			
Total	27 671 336	8 912 908	36 584 244
2010			
Total	21 527 766	5 985 674	27 513 440

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
22 OPERATING LEASE ARRANGEMENTS				
22.1 The Municipality as Lessee				
Balance at beginning of year	1 024 239	751 262	1 022 725	751 262
Movement during the year	182 159	272 977	165 452	271 463
Balance Previously Reported	-	-	-	-
Operating Lease Liability previously not recognised - 2009/2010 - Note 38.07	-	1 514	-	-
Balance at end of year	1 206 398	1 024 239	1 188 177	1 022 725
Disclosed as follows: (Restated 2010 - Note 38.08)				
Non-current Operating Lease Liability	1 206 398	1 024 239	1 188 177	1 022 725
Current Portion of Operating Lease Liability	-	-	-	-
	1 206 398	1 024 239	1 188 177	1 022 725
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:				
Up to 1 Year	3 657 436	3 360 011	3 435 070	3 157 860
1 to 5 Years	8 453 904	9 809 116	8 231 537	9 364 384
More than 5 Years	171 745	2 163 013	171 745	2 163 013
Total Operating Lease Arrangements	12 283 085	15 332 140	11 838 352	14 685 257
22.2 The Municipality as Lessor				
Balance at beginning of year	2 167 750	1 849 734	2 167 750	1 849 734
Operating Lease Asset for the current year	230 106	318 016	230 106	318 016
Balance previously reported	-	224 520	-	224 520
Correction of error - Operating lease asset previously not recognised - Note 38.05	-	93 497	-	93 497
Balance at end of year	2 397 856	2 167 750	2 397 856	2 167 750
Disclosed as follows: (Restated 2010 - Note 38.05)				
Non-current Operating Lease Liability	2 397 856	2 167 750	2 397 856	2 167 750
Current Portion of Operating Lease Liability	-	-	-	-
	2 397 856	2 167 750	2 397 856	2 167 750
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:				
Up to 1 Year	940 269	1 030 874	940 269	1 030 874
1 to 5 Years	4 457 054	4 087 859	4 457 054	4 087 859
More than 5 Years	11 228 295	12 087 910	11 228 295	12 087 910
Total Operating Lease Arrangements	16 625 619	17 206 643	16 625 619	17 206 643
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income. The leases are in respect of land and buildings being leased out for periods ranging until 2053				
23 CASH AND CASH EQUIVALENTS				
Assets				
Call Investments Deposits	31 077 680	26 181 834	31 077 680	26 181 834
Primary Bank Account	27 553 140	-	25 334 590	-
Secondary Bank Accounts	884 040	770 325	884 040	770 325
Cash Floats	13 531	11 470	12 270	11 470
Total Cash and Cash Equivalents - Assets	59 528 390	26 963 629	57 308 580	26 963 629
Liabilities				
Primary Bank Account	-	10 185 666	-	10 185 666
Total Cash and Cash Equivalents - Liabilities	-	10 185 666	-	10 185 666
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques are included in Cash and Cash Equivalents.				
Call Investment Deposits to an amount of R 5 633 600 are held to fund the Unspent Conditional Grants (2010: R8 413 996)				
Call Deposits of R 7,376,373 (2010: R 6,947,323) have been pledged to DBSA as guarantees on external loans taken up.				
The municipality has the following bank accounts:				
Current Accounts				
ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):	-	642 629	-	642 629
Nedbank - Account Number 1626561826 (Primary Bank Account):	25 334 590	(10 185 666)	25 334 590	(10 185 666)
Nedbank - Account Number 1626561834 (Secondary Account):	883 804	127 360	883 804	127 360
Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):	236	336	236	336
Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):	2 218 550	-	-	-
	28 437 180	(9 415 341)	26 218 630	(9 415 341)

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

23 CASH AND CASH EQUIVALENTS (CONTINUED)

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
Nedbank - Account Number 1626561826 (Primary Bank Account):				
Cash book balance at beginning of year	(10 185 666)	(15 470 835)	(10 185 666)	(15 470 835)
Cash book balance at end of year	25 334 590	(10 185 666)	25 334 590	(10 185 666)
Bank statement balance at beginning of year	24 499 288	21 135 103	24 499 288	21 135 103
Bank statement balance at end of year	33 543 663	24 499 288	33 543 663	24 499 288
Nedbank - Account Number 1626561834 (Secondary Account):				
Cash book balance at beginning of year	127 360	171 551	127 360	171 551
Cash book balance at end of year	883 804	127 360	883 804	127 360
Bank statement balance at beginning of year	529 700	448 108	529 700	448 108
Bank statement balance at end of year	1 162 721	529 700	1 162 721	529 700
Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):				
Cash book balance at beginning of year	336	436	336	436
Cash book balance at end of year	236	336	236	336
Bank statement balance at beginning of year	336	436	336	436
Bank statement balance at end of year	236	336	236	336
ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):				
Cash book balance at beginning of year	642 629	-	642 629	-
Cash book balance at end of year	-	642 629	-	642 629
Bank statement balance at beginning of year	637 234	-	637 234	-
Bank statement balance at end of year	-	637 234	-	637 234
Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	2 218 550	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	2 218 550	-	-	-
Call Investment Deposits				
Call investment deposits consist of the following accounts:				
Nedbank - 03/7881531940/35 - Ceded DBSA	7 376 373	6 947 323	7 376 373	6 947 323
Nedbank - 03/7881531940/26	425 287	401 414	425 287	401 414
Nedbank - 03/7881042702/03	-	4 091 119	-	4 091 119
Nedbank - 03/7881056231/03	-	8 017	-	8 017
Nedbank - 03/7881080760/01	4 174 698	-	4 174 698	-
Nedbank - 03/7881085932/01	5 060 204	-	5 060 204	-
Nedbank Retail - 33162307-9997	2 598 767	-	2 598 767	-
Old Mutual - 111249865	298 435	-	298 435	-
Old Mutual - 111260822	339 018	-	339 018	-
Old Mutual - 111243580	5 146 184	-	5 146 184	-
Old Mutual - 111243583	17 561	-	17 561	-
Old Mutual - 111249864	39 650	-	39 650	-
Old Mutual - 111249866	24 053	2 013 184	24 053	2 013 184
Old Mutual - 111243585	-	2 607 953	-	2 607 953
Old Mutual - 111253357	-	5 007 600	-	5 007 600
ABSA - 9167248126 - Investment facility	-	57 391	-	57 391
Standard Bank - 08/872631/001	-	4 934 688	-	4 934 688
Standard Bank - 08/8726312/001	5 208 096	-	5 208 096	-
Standard Bank - 08/8726312/004	249 953	-	249 953	-
Investec - 021941-501	119 398	113 146	119 398	113 146
	31 077 680	26 181 835	31 077 680	26 181 835

24 PROPERTY RATES

Actual**Rateable Land and Buildings**

	138 063 738	127 537 745	138 063 738	127 537 745
Domestic	99 328 500	93 522 643	99 328 500	93 522 643
Building Clause Levies	4 565	-	4 565	-
Accommodation	15 145 671	12 715 656	15 145 671	12 715 656
Commercial	13 664 281	12 371 148	13 664 281	12 371 148
Church	763 980	703 358	763 980	703 358
Light Industrial	3 453 943	3 161 067	3 453 943	3 161 067
Agricultural / Rural	680 931	903 878	680 931	903 878
State	3 167 216	3 286 486	3 167 216	3 286 486
Other - Pensioners etc.	1 854 652	873 511	1 854 652	873 511
Less: Rebates	(21 272 360)	(18 941 052)	(21 272 360)	(18 941 052)
Total Assessment Rates	116 791 378	108 596 693	116 791 378	108 596 693

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 PROPERTY RATES (CONTINUED)

	Economic Entity		Knysna Municipality	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Valuations - 30 June				
Rateable Land and Buildings	23 590 281	22 265 530	23 590 281	22 265 530
Domestic	18 639 371	17 276 151	18 639 371	17 276 151
Accommodation	2 290 862	2 154 897	2 290 862	2 154 897
Commercial	1 467 406	1 567 762	1 467 406	1 567 762
Church	85 865	91 555	85 865	91 555
Light Industrial	392 029	386 569	392 029	386 569
Agricultural / Rural	4 925	890	4 925	890
State	385 854	385 854	385 854	385 854
Public benefit	14 500	12 600	14 500	12 600
Public Infrastructure	5 353	5 093	5 353	5 093
Municipal	252 373	252 187	252 373	252 187
Others	51 743	131 972	51 743	131 972
Total Assessment Rates	23 590 281	22 265 530	23 590 281	22 265 530

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2008. 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 0.0052925 was charged on the total market value. Businesses were charged at a rate of R 0.00913 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 30,000 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 7th of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

25 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	22 278 864	19 283 275	22 278 864	19 283 275
Equitable Share - Refer to Note 25.01	22 278 864	19 283 275	22 278 864	19 283 275
Conditional Grants	77 737 680	107 643 590	77 551 827	107 643 590
National FMG Grant	1 030 609	991 983	1 030 609	991 983
National MIG Grant	20 284 743	17 152 272	20 284 743	17 152 272
National MIG Grant (Disaster Management Grant)	-	19 665 805	-	19 665 805
National MSIG Grant	817 973	575 080	817 973	575 080
National: Neighbourhood Development Partnership Grant	1 398 764	-	1 398 764	-
National INEP Grant	1 452 000	1 108 000	1 452 000	1 108 000
National Municipal Disaster Management Grant (MDMG)	12 584 844	27 515 156	12 584 844	27 515 156
National Bulk Infrastructure Grant	-	500 000	-	500 000
Provincial Housing Grant	37 596 464	36 983 755	37 596 464	36 983 755
Provincial Other Grants	967 345	1 256 617	967 345	1 256 617
EDEN District Municipal Grant	290 000	-	290 000	-
Other Spheres of Government Grants	-	178 282	-	178 282
Other Organisational Grants	1 314 939	1 716 639	1 129 086	1 716 639
Total Government Grants and Subsidies	100 016 544	126 926 865	99 830 691	126 926 865
Government Grants and Subsidies - Capital	36 887 924	65 194 971	36 887 924	65 194 971
Government Grants and Subsidies - Operating	63 128 620	61 731 894	62 942 767	61 731 894
	100 016 544	126 926 865	99 830 691	126 926 865

The municipality does not expect any significant changes to the level of grants.

25.01 Equitable share	22 278 864	19 283 275	22 278 864	19 283 275
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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.

25.02 National: Finance Management Grant (FMG)

Balance unspent at beginning of year	-	(8 017)	-	(8 017)
Current year receipts	1 000 000	1 000 000	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 030 609)	(991 982)	(1 030 609)	(991 982)
Unspent (Unpaid) Conditional Government Grants and Receipts	(30 609)	-	(30 609)	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

25.03 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5 668 173	5 055 445	5 668 173	5 055 445
Current year receipts	11 673 000	17 765 000	11 673 000	17 765 000
Conditions met - transferred to revenue	(20 284 743)	(17 152 272)	(20 284 743)	(17 152 272)
Unspent (Unpaid) Conditional Government Grants and Receipts	(2 943 570)	5 668 173	(2 943 570)	5 668 173

The grant was used to construct roads, labour intensive side walks and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
25.04	National: (MIG) Disaster Management Grant				
	Balance unspent at beginning of year	-	19 665 806	-	19 665 806
	Conditions met - transferred to revenue	-	(19 665 806)	-	(19 665 806)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-	-	-
	Disaster Management Grant was used in mitigation of the flood damage experienced in August 2006 and November 2007. The conditions of the grant have been met.				
25.05	National: Municipal Systems Improvement Grant				
	Balance unspent at beginning of year	-	75 080	-	75 080
	Current year receipts	750 000	500 000	750 000	500 000
	Conditions met - transferred to revenue	(817 973)	(575 080)	(817 973)	(575 080)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(67 973)	-	(67 973)	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System.				
25.06	National: Neighbourhood Development Partnership Grant				
	Current year receipts	5 000 000	-	5 000 000	-
	Conditions met - transferred to revenue	(1 398 764)	-	(1 398 764)	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	3 601 236	-	3 601 236	-
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.				
25.07	National: Integrated National Electrification Program Grant				
	Current year receipts	1 452 000	1 108 000	1 452 000	1 108 000
	Conditions met - transferred to revenue	(1 452 000)	(1 108 000)	(1 452 000)	(1 108 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-	-	-
	The INEP Grant was used to address electrification backlogs of permanently occupied dwellings.				
25.08	National Municipal Disaster Management Grant (MDMG)				
	Balance unspent at beginning of year	(5 315 156)	-	(5 315 156)	-
	Current year receipts	17 900 000	22 200 000	17 900 000	22 200 000
	Conditions met - transferred to revenue	(12 584 844)	(27 515 156)	(12 584 844)	(27 515 156)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	(5 315 156)	-	(5 315 156)
	The MDMG was awarded as a drought relief grant and is to be utilised in the creation of additional water resources, specifically ground water and desalination.				
25.09	Regional Bulk Infrastructure Grant				
	Current year receipts	-	500 000	-	500 000
	Conditions met - transferred to revenue	-	(500 000)	-	(500 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-	-	-
	The RBIG was used as a contribution towards the Sedgefield Water Desalination plant.				
25.10	Provincial - Integrated Housing & Human Settlements Grant				
	Balance unspent at beginning of year	(2 126 376)	(104 259)	(2 126 376)	(104 259)
	Current year receipts	39 292 313	34 961 638	39 292 313	34 961 638
	Conditions met - transferred to revenue	(37 596 464)	(36 983 755)	(37 596 464)	(36 983 755)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(430 527)	(2 126 376)	(430 527)	(2 126 376)
	The Grant is from Western Cape Government, Department of Local Government & Housing and is used for the construction of infrastructure and houses in the Knysna Vision 2002, Fletters/Robololo and Sizamile Housing projects.				
25.11	Provincial - Other Provincial Grants				
	Balance due at beginning of the year	(32 833)	(920 016)	(32 833)	(920 016)
	Balance unspent at beginning of the year	1 053 801	635 635	1 053 801	635 635
	Correction of prior year unspent balance in reconciliation	-	843	-	843
	Current year receipts	785 000	2 561 122	785 000	2 561 122
	Conditions met - transferred to revenue	(967 345)	(1 256 617)	(967 345)	(1 256 617)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	(32 833)	-	(32 833)
	Unspent (Unpaid) Conditional Government Grants and Receipts	838 624	1 053 801	838 624	1 053 801
	Various grants were received from Provincial Government for sanitation, libraries, transport, disaster relief, etc; the main grants being: Community Development Workers, Emergency Housing Program, Library Services. Maintenance of Proclaimed Roads. Sport and Non-motorised Transport Grants.				
25.12	Provincial - Contributed Assets				
	Current year asset contributed	823 000	-	823 000	-
	Conditions met - transferred to revenue	(823 000)	-	(823 000)	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-	-	-
	The Provincial Government transferred two erven to the municipality at a nominal value of R2. In terms of GRAP 17.23 the assets were recognised at a fair value, being the value determined by the General Valuation adjusted by property index for the particular use in the area concerned.				



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity		Knysna Municipality	
		2011	2010	2011	2010
		R	R	R	R
25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)				
25.12	District - EDEN District Municipal Grants				
	Balance unspent at beginning of year	290 000	200 000	290 000	200 000
	Balance due at beginning of the year	-	754 211	-	754 211
	Current year receipts	150 000	844 211	150 000	844 211
	Conditions met - transferred to revenue	(290 000)	-	(290 000)	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	150 000		150 000	290 000
	The unspent EDEN grants comprise amounts received and to be utilised for prepaid meters in Karatara (2010) and a Biodiversity Study (2010) and a Knysna Survey Project (2011).				
25.13	Other Spheres of Government Grants				
	Balance unspent at beginning of year	234 761	413 043	234 761	413 043
	Current year receipts	80 000	-	80 000	-
	Conditions met - transferred to revenue	-	(178 282)	-	(178 282)
	Unspent (Unpaid) Conditional Government Grants and Receipts	314 761	234 761	314 761	234 761
	This unspent Grant is from Masibambane (DWAE) and to be utilised for the continued development of Asset Maintenance Plans.				
25.14	Other organisational grants				
	Balance due at beginning of the year	(432 021)	(85 135)	(432 021)	(85 135)
	Balance unspent at the beginning of the year	1 167 262	1 000 000	1 167 262	1 000 000
	Current year receipts	3 229 273	1 537 014	1 024 137	1 537 014
	Conditions met - transferred to revenue	(1 314 939)	(1 716 639)	(1 129 086)	(1 716 639)
	Conditions met - balance due by organisation transferred to current assets	(98 688)	432 021	(98 688)	432 021
	Conditions met - balance transferred to current liabilities	2 748 263	1 167 262	728 980	1 167 262
	Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being National Lottery, Local Government Seta and Umsobomvu Youth Fund.				
25.15	Changes in levels of government grants				
	Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				
26	SERVICE CHARGES				
	Electricity	139 133 502	118 015 681	139 133 502	118 015 681
	Service Charges	142 084 025	120 337 357	142 084 025	120 337 357
	Less: Rebates	(2 950 523)	(2 321 675)	(2 950 523)	(2 321 675)
	Water	38 949 307	35 765 846	38 949 307	35 765 846
	Service Charges	44 532 492	40 856 354	44 532 492	40 856 354
	Less: Rebates	(5 583 186)	(5 090 508)	(5 583 186)	(5 090 508)
	Refuse removal	12 695 305	11 433 078	12 695 305	11 433 078
	Service Charges	13 490 219	12 329 679	13 490 219	12 329 679
	Less: Rebates	(794 914)	(896 601)	(794 914)	(896 601)
	Sewerage and Sanitation Charges	9 096 234	8 484 246	9 096 234	8 484 246
	Service Charges	9 812 504	9 247 272	9 812 504	9 247 272
	Less: Rebates	(716 270)	(763 027)	(716 270)	(763 027)
	Other Service Charges	2 143 944	1 879 796	2 143 944	1 879 796
	Total Service Charges	202 018 292	175 578 647	202 018 292	175 578 647
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.				
27	OTHER INCOME				
	Administration fees	178 599	102 944	178 599	102 944
	Irregular expenditure recovered	9 380	-	9 380	-
	Parking fees	27 527	33 659	27 527	33 659
	Penalty disconnection fees	505 451	425 407	505 451	425 407
	Sundries	607 390	480 099	607 390	480 099
	Valuation certificates	158 320	113 364	158 320	113 364
	Sale of refuse bags	132 027	135 206	132 027	135 206
	Total Other Income	1 618 694	1 290 679	1 618 694	1 290 679

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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EMPLOYEE RELATED COSTS

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
Employee Related Costs - Salaries and Wages	77 410 012	66 998 224	77 020 012	66 834 675
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids (Restated 2010)	21 749 172	21 363 977	21 748 299	21 363 977
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	6 366 995	6 832 678	6 366 995	6 832 678
Housing Benefits and Allowances	1 350 944	1 302 473	1 350 944	1 302 473
Overtime Payments	5 081 783	4 121 894	5 081 783	4 121 894
Bonuses	5 482 519	4 936 230	5 482 519	4 936 230
Provision for leave	1 264 022	1 008 345	1 264 022	1 008 345
TASK implementation	214 961	728 968	214 961	728 968
Contribution to provision - Ex-gratia pensions - Note 4	34 133	65 112	34 133	65 112
Contribution to provision - Long Service Awards - Note 4	1 129 299	792 940	1 129 299	792 940
Contribution to provision - Post Retirement Medical - Note 4	6 119 223	6 759 201	6 119 223	6 759 201
	126 203 063	114 910 041	125 812 189	114 746 493
Less: Employee Costs allocated elsewhere	(795 860)	(293 587)	(795 860)	(293 587)
Total Employee Related Costs	125 407 203	114 616 454	125 016 330	114 452 906

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL**Remuneration of the Municipal Manager**

Annual Remuneration	902 265	870 803	902 265	870 803
Backpay	58 912	-	58 912	-
Acting Allowance : R. K Smit	16 232	-	16 232	-
Car Allowance	96 000	96 000	96 000	96 000
Telephone Allowance	12 000	12 000	12 000	12 000
Performance Bonus	100 379	83 467	100 379	83 467
Contributions to UIF, Medical and Pension Funds	181 782	176 119	181 782	176 119
Total	1 367 570	1 238 389	1 367 570	1 238 389

Remuneration of the Director Technical Services

Annual Remuneration	700 695	804 145	700 695	804 145
Car Allowance	47 808	27 795	47 808	27 795
Performance Bonus	180 796	120 838	180 796	120 838
Long Service Award	-	63 233	-	63 233
Leave paid out (retired and post subsequently filled)	183 703	-	183 703	-
Telephone allowance	10 000	12 000	10 000	12 000
Housing allowance	3 467	6 522	3 467	6 522
Contributions - UIF, Medical, Pension	148 926	191 555	148 926	191 555
Total	1 275 394	1 226 088	1 275 394	1 226 088

Remuneration of the Director Corporate Services

Annual Remuneration	697 483	623 785	697 483	623 785
Car Allowance	96 000	96 000	96 000	96 000
Telephone Allowance	12 444	12 444	12 444	12 444
Performance Bonus	66 685	58 482	66 685	58 482
Contributions - UIF, Medical, Pension	119 119	113 779	119 119	113 779
Total	991 731	904 489	991 731	904 489

Remuneration of the Director Financial Services

Annual Remuneration	996 781	906 040	996 781	906 040
Car Allowance	36 000	36 000	36 000	36 000
Telephone Allowance	13 066	13 066	13 066	13 066
Performance Bonus	87 286	63 507	87 286	63 507
Contributions to UIF, Medical and Pension Funds	28 956	27 809	28 956	27 809
Total	1 162 090	1 046 423	1 162 090	1 046 423

Remuneration of the Director Strategy (2010/2011 Acting)

Annual Remuneration (Acting)	138 258	226 530	138 258	226 530
Performance Bonus	41 678	38 988	41 678	38 988
Total	179 936	265 518	179 936	265 518

Remuneration of the Director Community Services

Annual Remuneration	594 027	488 634	594 027	488 634
Car Allowance	109 500	150 000	109 500	150 000
Telephone Allowance	12 000	12 000	12 000	12 000
Performance Bonus	36 346	34 000	36 346	34 000
Contributions to UIF, Medical and Pension Funds	120 666	114 446	120 666	114 446
Total	872 538	799 081	872 538	799 081

Remuneration of Director : Planning and Development


Annual Remuneration	727 992	660 464	727 992	660 464
Car Allowance	60 000	60 000	60 000	60 000
Telephone allowance	12 444	12 444	12 444	12 444
Performance Bonus	91 692	85 774	91 692	85 774
Contributions - UIF, Medical, Pension	124 611	119 270	124 611	119 270
Total	1 016 738	937 952	1 016 738	937 952

Remuneration of the Acting Chief Executive Officer

Annual Remuneration	390 000	163 548	-	-
Contributions - UIF, Medical, Pension	873	-	-	-
Total	390 873	163 548	-	-

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
29 REMUNERATION OF COUNCILLORS				
Executive Mayor	588 886	565 936	588 886	565 936
Executive Deputy Mayor	477 944	461 105	477 944	461 105
Speaker	477 944	461 105	477 944	461 105
Councillors	2 099 642	1 947 547	2 099 642	1 947 547
Mayoral Committee	943 666	866 710	943 666	866 710
Total Councillors' Remuneration	4 588 082	4 302 403	4 588 082	4 302 403
In-kind Benefits				
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.				
Certification by the Municipal Manager				
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.				
				
..... Signed: Acting Municipal Manager				
30 REMUNERATION OF DIRECTORS OF KNYSNA ECONOMIC DEVELOPMENT AGENCY				
Sitting allowances	44 000	13 000	-	-
Total Councillors' Remuneration	44 000	13 000	-	-
Discloser in terms of Sect 124(2)(a) of the MFMA				
The members of the board of directors of the entity are non-executive directors.				
31 DEBT IMPAIRMENT				
Long Term Receivables - Note 18	(23 259)	(58 155)	(23 259)	(58 155)
Investment in Entity - Note 17	-	-	1 514 393	218 041
Receivables from exchange transactions - Note 20	12 632 170	7 022 332	12 632 170	7 022 332
Receivables from non-exchange transactions - Note 21	3 135 457	4 924 883	3 135 457	4 924 883
Total Contribution to Impairment Provision	15 744 368	11 889 060	17 258 761	12 107 101
32 IMPAIRMENTS				
Stock impaired	69 742	9 433	69 742	9 433
Property Plant & Equipment (Land and Buildings)	-	65 253 196	-	65 253 196
Cash and Cash equivalents - Armed Robbery	53 963	-	53 963	-
	123 705	65 262 629	123 705	65 262 629
33 FINANCE CHARGES				
Long-term liabilities (Restated 2010)	17 193 358	16 572 366	17 193 358	16 572 366
Total finance charges	17 193 358	16 572 366	17 193 358	16 572 366
Borrowing costs capitalised in terms of GRAP 5.	108 869	1 321 736	108 869	1 321 736
34 BULK PURCHASES				
Electricity	85 585 757	69 031 096	85 585 757	69 031 096
Refuse drums	32 420	60 466	32 420	60 466
Total Bulk Purchases	85 618 177	69 091 562	85 618 177	69 091 562
35 GRANTS AND SUBSIDIES				
Grants-in-aid and Donations	1 602 781	1 352 078	1 602 781	1 352 078
Knysna Economic Development Agency	-	5 395	-	5 395
Knysna Tourism	4 240 000	4 000 000	4 240 000	4 000 000
Total Grants and Subsidies	5 842 781	5 357 472	5 842 781	5 357 472

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
36 OTHER OPERATING GRANT EXPENDITURE				
NATIONAL GRANTS	2 173 412	3 277 817	2 173 412	3 277 817
Masibambane	-	156 388	-	156 388
Local Government Finance Management Grant	905 286	991 983	905 286	991 983
Municipal Infrastructure Grant	515 452	1 581 084	515 452	1 581 084
Disaster Relief 08	-	1 203 320	-	1 203 320
Municipal Infrastructure Grant	515 452	377 765	515 452	377 765
Municipal System Improvements Grant	752 674	548 361	752 674	548 361
PROVINCIAL GRANTS	35 458 217	36 381 565	35 458 217	36 381 565
Community Development Worker	26 430	32 833	26 430	32 833
Ward Based Projects	40 155	49 361	40 155	49 361
Housing Consumer Education	51 765	56 995	51 765	56 995
Integrated Housing & Human Settlements	34 509 117	35 165 669	34 509 117	35 165 669
Library Services	511 000	360 000	511 000	360 000
Local Government Project Preparation	-	62 000	-	62 000
Poverty Alleviation	282 017	500 758	282 017	500 758
Management Support Grant: PMS	37 733	153 948	37 733	153 948
DISTRICT GRANTS	90 000	-	90 000	-
Bio Diversity	90 000	-	90 000	-
GRANTS FROM OTHER ORGANISATIONS	161 369	876 336	161 369	876 336
Govern Mbeki National Housing Award	-	196 054	-	196 054
LGSETA Learnerships	75 914	515 736	75 914	515 736
UYF: Youth Advisory Centre	85 454	164 546	85 454	164 546
Total Other Operating Grant Expenditure	37 882 997	40 535 717	37 882 997	40 535 717
37 GENERAL EXPENSES				
Other Materials	14 646 148	13 762 140	14 646 148	13 762 140
Electricity Charge (Direct from ESKOM)	1 025 376	812 934	1 025 376	812 934
Fuel, Oil & Vehicle Management	4 186 090	3 507 209	4 186 090	3 507 209
Materials & Stores	3 858 621	4 229 244	3 858 621	4 229 244
Consumables & Stationery	1 169 098	1 138 657	1 169 098	1 138 657
Protective Clothing	594 739	461 349	594 739	461 349
Environmental Protection	255 591	226 136	255 591	226 136
Chemical Supplies	3 556 633	3 386 611	3 556 633	3 386 611
Other Expenditure	39 261 695	39 574 578	38 467 852	39 550 670
Advertising and Media	1 302 480	1 371 132	1 302 480	1 371 132
Audit Fees	2 335 110	2 092 766	2 335 110	2 092 766
Bank Charges	1 006 346	806 201	1 006 346	806 201
Collection Costs	367 304	199 900	367 304	199 900
Consultants Fees	1 169 609	1 073 904	1 169 609	1 073 904
Contrib to Non Current Provisions	3 632 364	-	3 632 364	-
Eradication of alien vegetation	989 883	-	989 883	-
Rehabilitation of tip sites	2 642 481	-	2 642 481	-
Entity's Expenditure	793 843	23 908	-	-
General Expenses	2 650 930	2 893 224	2 650 930	2 893 224
Insurance	1 443 446	1 213 354	1 443 446	1 213 354
Levies, Subscriptions and Licences	4 063 021	3 349 361	4 063 021	3 349 361
Office Space Rental	3 541 561	3 469 122	3 541 561	3 469 122
Planning	875 336	1 339 546	875 336	1 339 546
Projects	8 209 307	14 308 327	8 209 307	14 308 327
Community based Initiatives	2 083 454	571 921	2 083 454	571 921
Municipal contribution towards low cost housing	2 349 155	3 726 145	2 349 155	3 726 145
Operating projects	2 521 296	3 183 148	2 521 296	3 183 148
World Cup 2010	818 375	6 184 612	818 375	6 184 612
Removal of trees project	437 026	642 500	437 026	642 500
Staff Related (recruitment, training, etc.)	1 179 667	1 770 850	1 179 667	1 770 850
Telecommunications and Postage	4 009 531	3 661 751	4 009 531	3 661 751
Travel, Entertainment and Functions	2 681 841	2 001 232	2 681 841	2 001 232
General Expenses	53 907 843	53 336 717	53 114 000	53 312 809

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity 2010 R	Knysna Municipality 2010 R
38 CORRECTION OF ERROR IN TERMS OF GRAP 3		
38.01 Receivables from exchange transactions		
Balance previously reported	39 405 400	39 405 400
Rentals not previously measured prior to 1 July 2009 - Refer Note 38.120	152 356	152 356
Rentals not previously measured for the prior year - Refer Note 38.120	68 385	68 385
Total	39 626 141	39 626 141
38.02 Long-term Liabilities		
Balance previously reported		
Finance lease not previously recognised - Notes 3 and 38.11 and 38.120	171 627	171 627
Total	171 627	171 627
38.03 Current Employee Benefits		
Balance previously reported	10 996 564	10 996 564
Workman's compensation expenditure not recognised from 1 July 2006 to 30 June 2009 due to no assessments received from the Commissioner - Note 7	1 635 420	1 635 420
Workman's compensation expenditure not recognised due to no assessments received from the Commissioner - Note 7	531 379	531 379
Total	13 163 363	13 163 363
38.04 Property, Plant and Equipment		
Balance previously reported	491 352 923	491 352 923
Finance leases not previously recognised - Cost - Note 13	190 336	190 336
Finance leases not previously recognised - Accumulated depreciation - Note 13	(21 148)	(21 148)
Property, plant and equipment sold in 2006 not previously disposed - Cost - Refer to note 13 and 38.11	-	-
Correction of Opening Balance on Cost/Fair Value due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	226 758 745	226 758 745
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	175 019 570	175 019 570
Correction of prior year Accumulated Impairments due to the implementation of Directive 4 - Note 13 and 55.01	(27 731 926)	(27 731 926)
Correction of prior year movement on Cost/Fair Value due to the implementation of Directive 4 - Note 13 and 55.01	(1 056 949)	(1 056 949)
Correction of movement on depreciation due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	7 942 779	7 942 779
Correction of prior year Impairments due to the implementation of Directive 4 - Note 13 and 55.01	(65 253 206)	(65 253 206)
Total	807 201 125	807 201 125
38.05 Current Portion of Operating Lease Asset		
Balance previously reported	2 074 253	2 074 253
Operating lease asset not previously recognised - Notes 22.2 and 38.120	93 497	93 497
Transfer to Non-current Operating Lease Asset - Note 38.06	(2 167 750)	(2 167 750)
Total	2 167 750	2 167 750
38.06 Non-current Operating Lease Asset		
Balance previously reported	-	-
Transfer from Current Portion of Operating Lease Asset - Note 38.05	2 167 750	2 167 750
Total	2 167 750	2 167 750
38.07 Current Portion of Operating Lease Liability		
Balance previously reported	1 022 725	1 022 725
Operating Lease Liability previously not recognised - 2009/2010 - Note 22.1	1 514	-
Transfer to Non-current Operating Lease Liability - Note 38.08	(1 024 239)	(1 022 725)
Total	-	-
38.08 Non-current Operating Lease Liability		
Balance previously reported	-	-
Transfer from Current Portion of Operating Lease Liability - Notes 38.07	1 024 239	1 022 725
Total	1 024 239	1 022 725
38.09 Intangible assets		
Balance previously reported	177 516	177 516
Correction of Cost due to the implementation of Directive 4 - Note 16 and 38.11 and 55.02	(2 038)	(2 038)
Correction Accumulated Amortisation due to the implementation of Directive 4 - Note 16 and 38.11 and 55.02	2 035	2 035
Total	177 513	177 513

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity 2010 R	Knysna Municipality 2010 R
38.10 Investment Properties		
Balance previously reported	102 224	102 224
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 15 and 38.11 and 55.03	175 288 306	175 288 306
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 38.11 and 55.03	88 108	88 108
Correction of prior year fair value adjustments due to the implementation of Directive 4 - Note 15 and 55.03	(33 382 002)	(33 382 002)
Correction of prior year movements on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 38.12 and 55.03	6 365	6 365
Total	142 103 000	142 103 000
38.11 Accumulated Surplus/(Deficit)		
Balance previously reported	244 496 729	244 496 729
	547 015 790	547 015 790
Rentals not previously measured for the prior year- Refer Note 38.01	152 356	152 356
Workman's compensation expenditure not recognised from 1 July 2006 to 30 June 2009 due to no assessments received from the Commissioner - Note 38.03	(1 635 420)	(1 635 420)
Correction of movement on repairs and maintenance on Cost of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	(491 099)	(491 099)
Correction of movement on operating grant expenditure (Housing Top Structures) on Cost of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	(432 853)	(432 853)
Adjustments to Investment Property at fair value due to the implementation of Directive 4 - Notes 38.10 and 55.03	175 288 306	175 288 306
Reversal of Accumulated Depreciation on Investment Properties due to the implementation of Directive 4 - Notes 38.10 and 55.03	88 108	88 108
Adjustments to Intangible Assets at cost due to the implementation of Directive 4 - Notes 38.09 and 55.02	2 038	2 038
Adjustments to Accumulated Amortisation on Intangible Assets at cost due to the implementation of Directive 4 - Notes 38.09 and 55.02	(2 035)	(2 035)
Correction of Opening Balance on Cost of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	226 758 745	226 758 745
Correction of Opening Balance on Accumulated Depreciation of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	175 019 570	175 019 570
Correction of prior year Accumulated Impairments of PPE due to the implementation of Directive 4 - Note 13 and 55.01	(27 731 926)	(27 731 926)
Total	791 512 519	791 512 519
38.12 Statement of financial performance		
Surplus previously reported	69 617 938	69 579 998
	(91 192 511)	(91 190 997)
Adjustments to depreciation due to the implementation of Directive 4 - Notes 38.04 and 55.01	7 810 761	7 810 761
Commissioner - Note 38.03	(531 379)	(531 379)
Recognition of prior year Impairments due to the implementation of Directive 4 - Note 13 and 38.04 and 55.01	(65 253 206)	(65 253 206)
Adjustments to Investment Property at fair value due to the implementation of Directive 4 - Notes 38.10 and 55.03	(33 382 002)	(33 382 002)
Reversal of Accumulated Depreciation on Investment Properties due to the implementation of Directive 4 - Notes 38.10 and 55.03	6 365	6 365
Finance leases not previously recognised - Interest expense	(5 501)	(5 501)
Finance leases not previously recognised - Depreciation	(21 148)	(21 148)
Finance leases not previously recognised - General expenses - Hire Office Equipment	24 211	24 211
Operating lease asset not previously recognised - Note 38.05	93 497	93 497
Rentals not previously measured for the prior year - Refer Note 38.01	68 385	68 385
#REF!	(80)	(80)
Operating Lease Liability previously not recognised - 2009/2010 - Note 38.07	(1 514)	-
Total	(21 574 573)	(21 610 999)



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
39 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS				
Surplus/(Deficit) for the year	98 807 642	(21 599 014)	98 340 835	(21 610 999)
Adjustments for:				
Depreciation and amortisation	18 556 806	22 433 143	18 552 084	22 432 543
(Gain)/Loss on disposal of property, plant and equipment	(1 002 791)	(202 357)	(1 002 791)	(202 357)
Impairments	-	65 253 196	-	65 253 196
Gain on Fair Value Adjustments of Investment Property	(36 174 265)	-	(36 174 265)	-
Reversal of Impairment Losses of Property, Plant & Equipment	(18 338 000)	-	(18 338 000)	-
Fair Value Adjustments on Investment Properties	-	33 382 002	-	33 382 002
Refinancing cost	595 170	-	595 170	-
Contribution/(reduction) from/to provisions - Non-Current	3 632 364	(708 060)	3 632 364	(708 060)
Contribution from/to Non-current provisions - expenditure incurred	(899 398)	-	(899 398)	-
Contribution from/to employee benefits - non-current	7 282 655	7 617 253	7 282 655	7 617 253
Contribution from/to employee benefits - non-current - expenditure incurred	(1 932 670)	(1 802 105)	(1 932 670)	(1 802 105)
Contribution from/to employee benefits - non-current - actuarial losses	6 054 852	1 087 056	6 054 852	1 087 056
Contribution from/to employee benefits - non-current - actuarial gains	-	(6 061 408)	-	(6 061 408)
Contribution to employee benefits – current	2 973 520	4 438 905	2 973 520	4 438 905
Contribution to employee benefits – current - expenditure incurred	(2 171 751)	(823 834)	(2 171 751)	(823 834)
Contribution to provisions – bad debt	17 258 761	12 107 101	17 258 761	12 107 101
Unamortised discount	(680 699)	(735 787)	(680 699)	(735 787)
Bad debts written off	(7 329 989)	(4 437 266)	(7 329 989)	(4 437 266)
Operating lease income accrued	(230 106)	(318 016)	(230 106)	(318 016)
Operating lease expenses accrued	182 159	272 978	165 452	271 463
Investment income	(5 914 526)	(5 875 952)	(5 914 526)	(5 875 952)
Interest expense	17 193 358	16 572 366	17 193 358	16 572 366
Operating Surplus/(Deficit) before changes in working capital	97 863 092	120 600 199	97 374 855	120 586 099
Changes in working capital	5 929 491	(41 201 569)	4 169 265	(41 226 099)
Increase/(Decrease) in Trade and Other Payables	10 524 378	4 763 108	10 534 698	4 738 669
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(761 114)	(18 631 013)	(2 780 396)	(18 631 013)
Increase/(Decrease) in Unspent Public Contributions	4 500	-	4 500	-
Increase/(Decrease) in Taxes	5 161 100	(6 108 662)	4 856 639	(6 108 662)
(Increase)/Decrease in Inventory	(538 641)	635 247	(538 641)	635 247
(Increase)/Decrease in Trade Receivables from exchange transactions	(9 579 725)	(7 072 939)	(9 579 725)	(7 072 939)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(3 216 026)	(8 752 562)	(2 662 829)	(8 752 562)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	4 335 020	(6 034 749)	4 335 020	(6 034 749)
Cash generated/(absorbed) by operations	103 792 583	79 398 631	101 544 121	79 360 091
40 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Call Investments Deposits - Note 23	31 077 680	26 181 834	31 077 680	26 181 834
Cash Floats - Note 23	13 531	11 470	12 270	11 470
Bank - Note 23	28 437 180	770 325	26 218 630	770 325
Bank overdraft - Note 23	-	(10 185 666)	-	(10 185 666)
Total cash and cash equivalents	59 528 390	16 777 964	57 308 580	16 777 964
41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - Note 40	59 528 390	16 777 964	57 308 580	16 777 964
Investments - Note 17	14 983 551	13 295 234	14 983 551	13 295 235
	74 511 941	30 073 198	72 292 130	30 073 199
Less:	54 079 302	24 555 566	51 755 559	24 555 567
Unspent Committed Conditional Grants - Note 10	7 652 883	507 611	5 633 600	507 611
Unspent Conditional Public Contributions - Note 11	4 500	-	4 500	-
Unspent Borrowings - Note 42	21 699 847	10 752 720	21 699 847	10 752 720
Cash Portion of Housing Development Fund - Note 2	2 057 688	-	2 057 688	-
Secured Investments - Notes 3 and 17	22 359 924	13 295 234	22 359 924	13 295 235
VAT - Note 12	304 461	-	-	-
Net cash resources available for internal distribution	20 432 639	5 517 632	20 536 572	5 517 632
Allocated to:				
Capital Replacement Reserve - Note 2	(5 199 523)	-	(5 199 523)	-
Employee Benefits Reserve - Note 2	(5 242 645)	-	(5 242 645)	-
Non-Current Provisions Reserve - Note 2	(4 656 176)	-	(4 656 176)	-
Resources available (shortfall) for working capital requirements	5 334 294	5 517 632	5 438 227	5 517 632
42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - Note 3	173 542 503	168 165 309	173 542 503	168 165 309
Used to finance property, plant and equipment - at cost	(151 842 655)	(157 412 589)	(151 842 655)	(157 412 589)
	21 699 847	10 752 720	21 699 847	10 752 720
Cash set aside for the unspent portion of long-term liabilities - Note 41	(21 699 847)	(10 752 720)	(21 699 847)	(10 752 720)
Cash invested for repayment of long-term liabilities	-	-	-	-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 17% and will be repaid by 2029				

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43 BUDGET COMPARISONS

Economic Entity

43.1 Operational

Revenue by source

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Property Rates	116 791 378	118 527 000	(1 735 622)	(1%)
Government Grants and Subsidies - Capital	36 887 924	37 960 000	(1 072 076)	(3%)
Government Grants and Subsidies - Operating	63 128 620	72 783 747	(9 655 127)	(13%)
Augmentation Fees	2 386 870	-	2 386 870	100%
Foreign Exchange Gain	74 959	-	74 959	100%
Third Party Payments	616 811	-	616 811	100%
Fines	2 338 273	1 989 000	349 273	18%
Stock Adjustments	56 614	-	56 614	100%
Reversal of Impairment Losses	18 338 000	-	18 338 000	100%
Other non-exchange revenue	359 758	236 000	123 758	52%
Property Rates - penalties imposed and collection charges	2 018 900	1 959 000	59 900	3%
Service Charges	202 018 292	198 512 000	3 506 292	2%
Rental of Facilities and Equipment	4 069 244	3 126 000	943 244	30%
Interest Earned - external investments	5 914 526	5 027 997	886 529	18%
Interest Earned - outstanding debtors	3 872 597	3 843 000	29 597	1%
Licences and Permits	1 719 389	1 109 000	610 389	55%
Agency Services	1 715 677	1 731 000	(15 323)	(1%)
Other Income	1 618 694	1 322 000	296 694	22%
Gain on disposal of PPE / Investment Property	1 541 241	-	1 541 241	100%
Unamortised discount - Interest	691 109	716 000	(24 891)	(3%)
	466 158 876	448 841 744	17 317 132	4%

Expenditure by nature

Employee related costs	(125 407 203)	(128 382 050)	2 974 847	(2%)
Remuneration of Councillors	(4 588 082)	(4 352 000)	(236 082)	5%
Remuneration of Directors of Knysna Economic Development Agency	(44 000)	(62 500)	18 500	(30%)
Debt Impairment	(15 744 368)	(23 586 000)	7 841 632	(33%)
Collection Cost	(104 918)	(80 000)	(24 918)	31%
Depreciation and Amortisation	(18 556 806)	(31 359 045)	12 802 239	(41%)
Impairments	(123 705)	(64 000)	(59 705)	93%
Repairs and Maintenance	(19 924 703)	(19 690 960)	(233 743)	1%
Actuarial losses	(6 054 852)	-	(6 054 852)	100%
Finance Charges	(17 193 358)	(19 394 190)	2 200 832	(11%)
Unamortised discount - Interest	(10 410)	-	(10 410)	100%
Bulk Purchases	(85 618 177)	(86 398 320)	780 143	(1%)
Contracted services	(12 805 847)	(12 357 550)	(448 297)	4%
Grants and Subsidies Paid	(5 842 781)	(5 703 550)	(139 231)	2%
Other Operating Grant Expenditure	(37 882 997)	(40 312 000)	2 429 003	(6%)
Loss on disposal of PPE / Investment Property	(538 450)	-	(538 450)	100%
General Expenses	(53 907 843)	(55 605 061)	1 697 218	(3%)
	(404 348 499)	(427 347 226)	22 998 727	(5%)

Net Surplus for the year

	61 810 377	21 494 518	40 315 859	188%
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Knysna Municipality

Operational

Revenue by source

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Property Rates	116 791 378	118 527 000	(1 735 622)	(1%)
Government Grants and Subsidies - Capital	36 887 924	37 960 000	(1 072 076)	(3%)
Government Grants and Subsidies - Operating	62 942 767	72 353 000	(9 410 233)	(13%)
Government Transfers - Contributed Assets	823 000	-	823 000	100%
Augmentation Fees	2 386 870	-	2 386 870	100%
Foreign Exchange Gain	74 959	-	74 959	100%
Third Party Payments	616 811	-	616 811	100%
Fines	2 338 273	1 989 000	349 273	18%
Stock Adjustments	56 614	-	56 614	100%
Gain on Fair Value Adjustments of Investment Property	18 338 000	-	18 338 000	100%
Reversal of Impairment Losses	36 174 265	-	36 174 265	100%
Other non-exchange revenue	359 758	236 000	123 758	52%
Property Rates - penalties imposed and collection charges	2 018 900	1 959 000	59 900	3%
Service Charges	202 018 292	198 512 000	3 506 292	2%
Rental of Facilities and Equipment	4 069 244	3 126 000	943 244	30%
Interest Earned - external investments	5 914 526	5 012 000	902 526	18%
Interest Earned - outstanding debtors	3 872 597	3 843 000	29 597	1%
Licences and Permits	1 719 389	1 109 000	610 389	55%
Agency Services	1 715 677	1 731 000	(15 323)	(1%)
Other Income	1 618 694	1 322 000	296 694	22%
Gain on disposal of PPE / Investment Property	1 541 241	-	1 541 241	100%
Unamortised discount - Interest	691 109	716 000	(24 891)	(3%)
	502 970 288	448 395 000	54 575 288	12%

Expenditure by nature

Employee related costs	(125 016 330)	(128 006 300)	2 989 970	(2%)
Remuneration of Councillors	(4 588 082)	(4 352 000)	(236 082)	5%
Debt Impairment	(17 258 761)	(23 586 000)	6 327 239	(27%)
Collection Cost	(104 918)	(80 000)	(24 918)	31%
Depreciation and Amortisation	(18 552 084)	(31 344 420)	12 792 336	(41%)
Impairments	(123 705)	(64 000)	(59 705)	93%
Repairs and Maintenance	(19 924 703)	(19 690 460)	(234 243)	1%
Actuarial losses	(6 054 852)	-	(6 054 852)	100%
Finance Charges	(17 193 358)	(19 394 190)	2 200 832	(11%)
Unamortised discount - Interest	(10 410)	-	(10 410)	100%
Bulk Purchases	(85 618 177)	(86 398 320)	780 143	(1%)
Contracted services	(12 805 847)	(12 357 550)	(448 297)	4%
Grants and Subsidies Paid	(5 842 781)	(5 703 550)	(139 231)	2%
Other Operating Grant Expenditure	(37 882 997)	(40 312 000)	2 429 003	(6%)
Loss on disposal of PPE / Investment Property	(538 450)	-	(538 450)	100%
General Expenses	(53 114 000)	(54 747 210)	1 633 210	(3%)
	(404 629 453)	(426 036 000)	21 406 547	(5%)

Net Surplus for the year

	98 340 835	22 359 000	75 981 835	340%
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KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43 BUDGET COMPARISONS (CONTINUED)

Operational

Details of material variances

Revenue by source

Explanations of variances on Revenue by Source are only provided where the value is more than R 1 million below the budget and the variance percentage is greater than 10%.

Government Grants and Subsidies - Operating: R -9 655 127	(13%)	- Revenue from operating government grants and subsidies can only be recognised if expenditure has occurred and the grant conditions have been met. The main operating grants that have under spent compared to budget are the Informal Housing and Human Settlements Grant (IHHS) (R 2,0 million) and the Masibambane Grant (R 0,3 million). IHHS was an unpaid debtor at 1 July 2010 of R 2,3 million. Part of the grant received for 2010/2011 was used to settle the unpaid balance resulting in lower than budgeted expenditure during the year. Unspent funds for the Masibambane project were appropriated in the February 2011 adjustment budget, but were never utilised. The other portion of operating grant revenue that did not realise is related to the recognition of VAT as own revenue on grant funded projects which is allowed in terms of MFMA Circular 48. VAT related to the Neighbourhood Development Partnership Grant (NDPG) could not be recognised as the grant contract and conditions has specifically excluded this (R 0,6 million). No VAT was recognised on the Municipal Disaster Management Grant (MDMG) since the grant was fully utilised to fund the capital projects and has been recognised in government grants and subsidies - capital. VAT on the IHHS grant has not been recognised as the grant has been fully utilised.
Reversal of Impairment Losses: R 18 338 000	100%	- Reversal of impairment losses on land and buildings previously recognised due to the adoption of the fair value model.

Expenditure by type

Explanations of variances on Expenditure by Type are only provided where the value is R 1 million more or less than the budget and the variance percentage is greater than 10%.

Actuarial losses: R -6 054 852	100%	- Movements in the liabilities for non-current employee benefits, which includes post-employment health care benefits, long service awards and ex-gratia pensions, result from increases or decreases in the liability over the period from the previous valuation date to the current valuation date. For the current period unexpected decreases (termed actuarial losses) occurred due to the following factors: decrease in the net discount rate; contributions, pension increases and salary increase higher than assumed; actual benefit payments higher than expected; and changes in the membership profile.
Debt Impairment: R 7 841 632	(33%)	- The main variance on Debt Impairments relates to the impairment of Consumer Debtors (R 6,9 million). The budget was formulated to reflect the difference in the projected revenue and the cash to be realised from these billings. Higher than budgeted payment levels, collection of arrears older than a year and council approved write offs resulted in a lower than budgeted debt impairment required for consumer debtors. Knysna Municipality's contribution towards Knysna Economic Development Agency (KEDA) is represented by non-current investments in the Statement of Financial Position. These contributions are fully impaired as a cash return is neither expected nor required. The contribution towards KEDA was greater than budgeted and thus the debt impairment of this investment has been overspent by R 0,6 million.
Depreciation and Amortisation: R 12 802 239	(41%)	- Implementation of GRAP 17.
Finance Charges: R 2 200 832	(11%)	- The savings on interest repayments for annuity loans is R 2.1 million. The new loan secured for 2010/2011 was only disbursed at the end of June 2011, resulting in no finance charges for 2010/2011. Rates on loans linked to variable instruments, such as JIBAR, have decreased between one and two percent since budget projections were made for the 2010/2011 financial year resulting in savings on finance charges for 2010/2011.

Economic Entity

43.2 Expenditure by Vote

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	32 544 929	30 894 316	1 650 613	5%
Corporate	8 141 242	7 343 950	797 292	11%
Finance	11 371 074	13 365 890	(1 994 816)	(15%)
Strategy	1 543 631	2 348 420	(804 789)	(34%)
Planning	50 513 561	62 881 820	(12 368 259)	(20%)
Community	83 480 077	83 192 900	287 177	0%
Electricity	147 879 251	152 252 600	(4 373 349)	(3%)
Technical	70 389 127	75 067 330	(4 678 203)	(6%)
	405 862 892	427 347 226	(21 484 334)	(5%)

Knysna Municipality

Expenditure by Vote

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	31 311 490	29 583 090	1 728 400	6%
Corporate	8 141 242	7 343 950	797 292	11%
Finance	11 371 074	13 365 890	(1 994 816)	(15%)
Strategy	1 543 631	2 348 420	(804 789)	(34%)
Planning	50 513 561	62 881 820	(12 368 259)	(20%)
Community	83 480 077	83 192 900	287 177	0%
Electricity	147 879 251	152 252 600	(4 373 349)	(3%)
Technical	70 389 127	75 067 330	(4 678 203)	(6%)
	404 629 453	426 036 000	(21 406 547)	(5%)



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43

BUDGET COMPARISONS (CONTINUED)

Expenditure by Vote

Details of material variances

Explanations of variances by Vote are only provided where the value is R 1 million more or less than the budget and the variance percentage is greater than 10%, or where the vote has been over spent.

Executive & Council: R 1 728 400	6%	-	The full R 6 million Actuarial Losses was expensed against Executive and Council for the period.
Corporate: R 797 292	11%	-	Depreciation charges for Leased Assets of R 1 million resulted in the over expenditure.
Finance: R -1 994 816	(15%)	-	A saving of R 1,7 million on debt impairment of property rates.
Planning: R -12 368 259	(20%)	-	The main areas contributing towards the savings were debt impairment (R 3,7 million), depreciation (R3,9 million), general expenses (R 1,6 million) and operating grant expenditure (R2 million)
Community: R 287 177	0%	-	The largest contributing factors were employee related costs and bulk refuse removal.

Economic Entity

43.3 Capital expenditure by vote

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	383 009	328 000	55 009	17%
Corporate	202 106	132 000	70 106	53%
Finance	3 232 534	761 130	2 471 404	325%
Planning	7 178 673	11 814 000	(4 635 327)	(39%)
Community	586 588	1 760 690	(1 174 102)	(67%)
Electricity	5 529 305	7 584 000	(2 054 695)	(27%)
Technical	37 129 640	35 385 180	1 744 460	5%
	54 241 855	57 765 000	(3 523 145)	(6%)

Knysna Municipality

Capital expenditure by vote

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	354 366	296 000	58 366	20%
Corporate	202 106	132 000	70 106	53%
Finance	3 232 534	761 130	2 471 404	325%
Planning	7 178 673	11 814 000	(4 635 327)	(39%)
Community	586 588	1 760 690	(1 174 102)	(67%)
Electricity	5 529 305	7 584 000	(2 054 695)	(27%)
Technical	37 129 640	35 385 180	1 744 460	5%
	54 213 212	57 733 000	(3 519 788)	(6%)

Details of material variances

Executive & Council: R 55 009	17%	-	Purchases for newly elected councillors office furniture and equipment (R71 810) was not budgeted.
Corporate: R 70 106	53%	-	Office machines purchased by means of finance lease (R107 500) was not budgeted.
Finance: R 2 471 404	325%	-	Office machines purchased by means of finance lease (R0,4 million) was not budgeted. No capital budget had been made for Microsoft Windows and Server licences budgeted as an operating purchase over three years which was determined to be an asset purchased by means of finance lease (R2,2 million).
Planning: R -4 635 327	(39%)	-	Delays in implementation and construction of the Hornlee Taxi Rank which is funded by means of the Neighbourhood Development Partnership grant (R3 million), and under-expenditure on Housing funded from the Informal Housing and Human Settlements grant (R2,3 million - see also the explanation given in note 41.1 for government grants and subsidies - operating).
Community: R -1 174 102	(67%)	-	No expenditure made on Sports & Community Facilities (R0,9 million) nor on Waste Disposal Sites (R0,2 million) included in the February 2011 adjustments budget.
Electricity: R -2 054 695	(27%)	-	R1,8 million unspent on multi-year projects funded by either secured borrowings or from the capital replacement reserve.



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
44.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance	-	-	-	-
Unauthorised expenditure current year - capital	4 340 979	698 098	4 344 336	698 098
Unauthorised expenditure current year - operating	2 735 082	21 801 923	2 812 869	21 801 923
Unauthorised expenditure awaiting authorisation	7 076 061	22 500 021	7 157 205	22 500 021
Incident	Disciplinary steps/criminal proceedings			
Over expenditure of approved budget per Vote - See Note 43	None			
44.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance	18 759	-	18 759	-
Fruitless and wasteful expenditure current year	307 100	18 759	307 100	18 759
Fruitless and wasteful expenditure awaiting condonement	325 859	18 759	325 859	18 759
Incident	Disciplinary steps/criminal proceedings			
Fraudulent cheque no. 89485 dated 26/02/2010 banked at FNB Galleria and cleared by Nedbank on 09/03/2010. Replacement reissued to settle creditors account. Reported to Knysna SAP Case No. 658/4/2010 - R18 759	None			
Cancellation of international air tickets to Denmark - R16 518	None			
Penalty interest on lost cheque between banks - R3 852	None			
Penalty interest on two payments to SARS: One for a late payment and the other for a late payment due to cheque being lost in the post - R110 807	None			
Pipeline damaged by developer and the municipality repaired it without claiming damages - R36 816	None			
Penalty interest on payments not made to the Compensation Commissioner for Occupational Injuries and Diseases since no assessments had been received since 2006 - R142 683	None			
44.3 Irregular expenditure				
Reconciliation of irregular expenditure:				
Opening balance	59 414 100	30 045 226	59 414 100	30 045 226
Irregular expenditure current year	-	29 368 874	-	29 368 874
Irregular expenditure reclassified	(59 414 100)	-	(59 414 100)	-
Irregular expenditure awaiting approval	-	59 414 100	-	59 414 100
Incident	Disciplinary steps/criminal proceedings			
Prior year balances referred to non-compliance with the Supply Chain Management Policy which were subsequently re-evaluated, as mentioned below.	None			
Explanation: In 2009 this expenditure was condoned by Council. The Accountant-General has subsequently declared that any condonation can only be made by National Treasury in terms of Section 170 of the MFMA. Guidance on the manner of application for condonement is now awaited but due to National Treasury not responding the municipality reconsidered the definition of irregular expenditure and determined that amounts previously reported do not constitute irregular expenditure and subsequently removed from this disclosure.				
44.4 Material Losses				
Electricity distribution losses				
Units purchased (Mwh)	190 754	189 827	190 754	189 827
- Units lost during distribution (Mwh)	13 105	13 902	13 105	13 902
- Percentage lost during distribution	6.87%	7.32%	6.87%	7.32%
Water distribution losses				
- Mega litres purified	3 869	3 841	3 869	3 841
- Mega litres lost during distribution	702	989	702	989
- Percentage lost during distribution	18.15%	25.76%	18.15%	25.76%
45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS				
Opening balance	-	-	-	-
Council subscriptions	568 763	509 988	568 763	509 988
Amount paid - current year	(568 763)	(509 988)	(568 763)	(509 988)
Balance unpaid (included in creditors)	-	-	-	-
45.2 Audit fees - [MFMA 125 (1)(b)]				
Opening balance	-	-	-	-
Current year audit fee	2 335 110	3 248 522	2 335 110	3 248 522
External Audit - Auditor-General	2 038 921	1 626 529	2 038 921	1 626 529
Internal Audit	143 549	1 469 354	143 549	1 469 354
Audit Committee	152 640	152 640	152 640	152 640
Amount paid - current year	(2 335 110)	(3 248 522)	(2 335 110)	(3 248 522)
Balance unpaid (included in creditors)	-	-	-	-



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity		Knysna Municipality			
		2011	2010	2011	2010		
		R	R	R	R		
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)						
45.3	VAT - [MFMA 125 (1)(b)]						
	Opening balance	11 004 278	3 123 983	11 004 278	3 123 983		
	Amounts received - previous year	(8 293 625)	6 143	(8 293 625)	6 143		
	Amounts received - current year	(31 385 931)	(33 675 317)	(31 385 931)	(33 675 317)		
	Amounts claimed - current year	29 849 741	37 272 895	29 849 741	37 272 895		
	Amount paid - current year	3 593 621	4 276 574	3 593 621	4 276 574		
	Corrections	(436 809)	-	(436 809)	-		
	Closing balance	4 331 275	11 004 278	4 331 275	11 004 278		
	Vat inputs receivables and Vat outputs payables are shown in Note 12 All VAT returns have been submitted by the due date throughout the year.						
	Vat in suspense due to cash basis of treatment	(3 711 852)	(5 118 136)	(3 711 852)	(5 118 136)		
45.4	PAYE and UIF - [MFMA 125 (1)(b)]						
	Opening balance	(11 197)	(10 181)	(11 197)	(10 181)		
	Current year payroll deductions and Council Contributions	(13 814 929)	(11 745 293)	(13 814 929)	(11 745 293)		
	Amount paid - current year	13 819 831	11 744 277	13 819 831	11 744 277		
	Balance unpaid (included in creditors)	(6 295)	(11 197)	(6 295)	(11 197)		
45.5	Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]						
	Opening balance	-	-	-	-		
	Current year payroll deductions and Council Contributions	(30 052 626)	(27 070 756)	(30 052 626)	(27 070 756)		
	Amount paid - current year	30 052 626	27 070 756	30 052 626	27 070 756		
	Balance unpaid (included in creditors)	-	-	-	-		
45.6	Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]						
	The following Councillors had arrear accounts for more than 90 days as at 30 June:						
				2011 R Outstanding more than 90 days	2010 R Outstanding more than 90 days		
	Currently in office						
	Dyantyi M			4 316	-		
	Lizwani M			4 767	-		
	Gombo E			1 394	-		
	Van Aswegen EO			10 532	-		
	Williams M			29	-		
	In Office until 18 May 2011						
	Bouw-Spies E			-	1 044		
	Kemoetie D			-	304		
	Matungana A			-	716		
	Total Councillor Arrear Consumer Accounts			21 038	2 064		
45.7	The following Councillors had arrear accounts outstanding for more than 90 days during the year.						
				Highest amount outstanding	Ageing	Month	
	Currently in office						
	Dyantyi M			4 316	>150 days	Jun 2011	
	Lizwani M			4 767	>150 days	Jun 2011	
	Van Aswegen EO			10 532	>150 days	Jun 2011	
	Gombo E			1 394	>150 days	Jun 2011	
	Williams M			29	>150 days	Jun 2011	
	In Office until 18 May 2011						
	Koti E			2 616	>150 days	Dec 2010	
	Matungana A			2 186	>120 days	Aug 2010	
	Bouw-Spies E			1 395	>150 days	Sept 2010	
	Finn A			2 347	>120 days	Feb 2011	
45.8	Quotations awarded - Supply Chain Management						
	Non-compliance with the Supply Chain Management Regulations were identified on the following categories:						
				Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
	Inventory	54 195	745 736	1 352 347	-	-	-
	Executive & Council	-	202 367	455 904	-	-	-
	Corporate Services	59 334	396 644	290 023	-	-	-
	Community Services	27 718	386 955	241 768	-	-	-
	Financial Services	36 157	492 904	-	-	-	-
	Technical Services	29 145	1 073 006	2 266 625	6 833 975	-	-
	Electrical Services	44 422	1 760 312	986 903	-	-	-
	Planning & Development	26 370	653 975	1 270 731	-	-	-
	Strategic Services	-	38 400	-	-	-	-
		277 341	5 750 299	6 864 301	6 833 975	6 833 975	6 833 975



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)

The major deviations were as follows:

Awarded to	Reason/Explanation	Amount
SSI Engineer (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines. Includes services iro of water crisis schemes.	4 119 196
Aurecon SA Pty (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines	2 800 450
Much Asphalt (Supplier)	Supply and delivery of bitumen products on the basis of sole supplier	588 355
Sikhulile Engineers Pty Ltd (Consultants)	Appointed under contract for housing project subject to grant funding (2005)	655 074
Tuiniqua Consulting Engineers (Consultants)	Distribution of projects amongst local consultants	973 523
Clinkscales Maugh-Brown (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines	712 206
Knysna Nissan (Supplier)	Multiple source selection in terms of NT guidelines - Urgent due to uncertain delivery dates	722 000

45.9 Other non-compliance (MFMA 125(2)(e))

The table below contains a list of all the other sections with reasons for non-compliance for Knysna Economic Development Agency

Section	Short description of requirement	Reason for non-compliance
Sect 86 (1)	Submit in writing the bank account details to parent municipality within 90 days after opening the bank account.	Entity was still in pre-establishment phase and was not knowledgeable of the MFMA requirements
Sect 87(1)	Submit the proposed budget to Parent Municipality 150 days prior to start of financial year.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(2)	Submit revised proposed budget to Parent Municipality 100 days prior to start of financial year.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(4)	Board approved the budget 30 days prior to start of financial year.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(8)	Incur only expenditure according to approved budget.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(10)	Made public of the budget to the same way as the parent municipality's budget.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(11)	Submit within 7 working days after month end a budget statement to parent municipality in the prescribe format.	The entity only started to report as from January 2011.
Sect 88(1)	Submit a Mid-year Budget & Performance Assessment report by the 20th January.	Entity was still in pre-establishment phase and board did not as yet approved a budget in the prescribe format.
Sect 88(2)	Make public the Mid-year budget and performance assessment report.	Same as Sect 88(1)
Sect 89(a)	Council of parent municipality to determine upper limits of CEO and Senior managers.	Entity was still in pre-establishment phase and no CEO or Senior Manager was appointed for the reporting period. Only a coordinator was appointed.
Sect 95 (c)	Accounting officer ensure and maintain systems of Risk management and Internal control.	Entity was still in pre-establishment phase and is currently performing the risk assessment.
Sect 99 (2)(f)	Accounting officer to ensure the implementation of effective system of expenditure control that complies with tax, duty, pension, medical aid , audit fees and other statutory commitments.	Registration with SARS was received late therefore payments was only made during June 2011.

46 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure
Community

	11 590 329	15 423 656	11 590 329	15 423 656
Infrastructure	11 080 208	15 188 837	11 080 208	15 188 837
Community	510 121	234 819	510 121	234 819
Total	11 590 329	15 423 656	11 590 329	15 423 656

This expenditure will be financed from:

External Loans
Government Grants
Own Resources

	3 125 095	4 657 556	3 125 095	4 657 556
External Loans	8 465 234	10 715 763	8 465 234	10 715 763
Government Grants	-	50 338	-	50 338
Own Resources				
Total	11 590 329	15 423 656	11 590 329	15 423 656



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity		Knysna Municipality	
		2011	2010	2011	2010
		R	R	R	R
47	RETIREMENT BENEFIT INFORMATION				
	Both the Cape Joint Pension Fund and Cape 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 state 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 indicated that the pensioner data is confidential and was thus unable 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 both the Cape Joint Pension Fund and Cape Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.				
	<u>CAPE JOINT PENSION FUND</u>				
	The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009- 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.				
	<u>CAPE RETIREMENT FUND</u>				
	The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).				
	<u>DEFINED CONTRIBUTION FUNDS</u>				
	Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. 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				
48	FINANCIAL RISK MANAGEMENT				
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising 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.				
	(a) Foreign Exchange Currency Risk				
	The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.				
	(b) Price risk				
	The municipality is not exposed to price risk.				
	(c) 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.				
	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/deficit for the year due to changes in interest rates were as follow:				
	1% (2010 - 0.5%) Increase in interest rates	(1 212 908)	(1 374 176)	(1 235 094)	(1 374 176)
	0.5% (2010 - 0.5%) Decrease in interest rates	606 454	687 088	617 547	687 088



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-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 independently rated parties with a minimum rating of 'B+' 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.

Trade and other debtors 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 debtors 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 note 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
<u>Economic Entity</u>				
Electricity	5.41%	1 980 302	4.43%	1 218 798
Water	32.89%	12 033 697	29.82%	8 205 376
Housing Rentals	4.38%	1 602 970	8.04%	2 210 825
Refuse	13.82%	5 057 588	19.85%	5 461 843
Sewerage	12.69%	4 640 752	16.10%	4 430 925
Other Consumer Arrears	6.44%	2 356 027	0.00%	-
Rates	24.36%	8 912 908	21.76%	5 985 674
	<u>100.00%</u>	<u>36 584 244</u>	<u>100.00%</u>	<u>27 513 440</u>
<u>Knysna Municipality</u>				
Electricity	5.41%	1 980 302	4.43%	1 218 798
Water	32.89%	12 033 697	29.82%	8 205 376
Housing Rentals	4.38%	1 602 970	8.04%	2 210 825
Refuse	13.82%	5 057 588	19.85%	5 461 843
Sewerage	12.69%	4 640 752	16.10%	4 430 925
Other Consumer Arrears	6.44%	2 356 027	0.00%	-
Rates	24.36%	8 912 908	21.76%	5 985 674
	<u>100.00%</u>	<u>36 584 244</u>	<u>100.00%</u>	<u>27 513 440</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any 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 are 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.

Long-term Receivables 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.



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

47

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
Fixed Deposit Investments	14 983 551	13 295 235	14 983 551	13 295 235
Long Term Receivables	530 207	580 950	530 207	580 950
Receivables from exchange transactions	43 062 296	39 405 400	43 062 296	39 405 400
Receivables from non-exchange transactions	19 870 072	20 134 477	19 870 072	20 134 477
Short Term Investment Deposits	31 077 680	26 181 834	31 077 680	26 181 834
Bank and Cash Balances	28 450 710	139 166	26 230 900	139 166
	<u>137 974 516</u>	<u>99 737 063</u>	<u>135 754 705</u>	<u>99 737 063</u>

(e) 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 entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Economic Entity

2011

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	34 401 483	110 243 779	86 604 415	65 758 253
Capital repayments	17 180 613	59 354 077	50 317 386	46 690 428
Loans	15 189 735	57 135 917	50 317 386	46 690 428
Finance Leases	1 990 878	2 218 160	-	-
Interest	17 220 870	50 889 701	36 287 029	19 067 825
Loans	16 933 571	50 612 888	36 287 029	19 067 825
Finance Leases	287 300	276 814	-	-
Trade and Other Payables	32 158 313	-	-	-
Unspent conditional government grants and receipts	7 652 883	-	-	-
Unspent Public Contributions	4 500	-	-	-
	<u>74 217 179</u>	<u>110 243 779</u>	<u>86 604 415</u>	<u>65 758 253</u>

2010

Long Term liabilities	31 993 702	110 871 228	80 458 930	77 228 044
Capital repayments	14 630 692	58 252 873	42 266 316	53 015 429
Interest	17 363 010	52 618 356	38 192 614	24 212 615
Trade and Other Payables	21 744 891	-	-	-
Unspent conditional government grants and receipts	8 413 996	-	-	-
	<u>62 152 589</u>	<u>110 871 228</u>	<u>80 458 930</u>	<u>77 228 044</u>

Knysna Municipality

2011

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	34 401 483	110 243 779	86 604 415	65 758 253
Capital repayments	17 180 613	59 354 077	50 317 386	46 690 428
Loans	15 189 735	57 135 917	50 317 386	46 690 428
Finance Leases	1 990 878	2 218 160	-	-
Interest	17 220 870	50 889 701	36 287 029	19 067 825
Loans	16 933 571	50 612 888	36 287 029	19 067 825
Finance Leases	287 300	276 814	-	-
Trade and Other Payables	32 158 313	-	-	-
Unspent conditional government grants and receipts	5 633 600	-	-	-
Unspent Public Contributions	4 500	-	-	-
	<u>72 197 896</u>	<u>110 243 779</u>	<u>86 604 415</u>	<u>65 758 253</u>

2010

Long Term liabilities	31 993 702	110 871 228	80 458 930	77 228 044
Capital repayments	14 630 692	58 252 873	42 266 316	53 015 429
Interest	17 363 010	52 618 356	38 192 614	24 212 615
Trade and Other Payables	21 720 451	-	-	-
Unspent conditional government grants and receipts	8 413 996	-	-	-
	<u>62 128 149</u>	<u>110 871 228</u>	<u>80 458 930</u>	<u>77 228 044</u>



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity		Knysna Municipality	
		2011	2010	2011	2010
		R	R	R	R
49	FINANCIAL INSTRUMENTS				
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:				
	The fair value of financial instruments approximates the amortised costs as reflected below.				
49.1	Financial Assets				
	Investments				
	Fixed Deposits	14 983 551	13 295 235	14 983 551	13 295 235
	Financial instruments at cost				
	Non-Current Investments				
	- Municipal Entity - Knysna Economic Dev Agency	1	1	1	1
	Long-term Receivables				
	Land Sales	194 920	186 062	194 920	186 062
	Staff loans	11 226	19 014	11 226	19 014
	Old age homes	259 560	258 954	259 560	258 954
	Sundry deposits	6 800	6 800	6 800	6 800
	Current Receivables				
	Service Debtors	40 378 691	34 332 511	40 378 691	34 332 511
	Rentals	351 079	756 890	351 079	756 890
	Other Debtors	2 332 526	4 315 998	2 332 526	4 315 998
	Other Receivables				
	Rates	18 846 231	19 072 244	18 846 231	19 072 244
	Sundry Debtors	1 023 841	1 062 233	1 023 841	1 062 233
	Government Subsidies and Grants	3 571 365	7 906 385	3 571 365	7 906 385
	Current Portion of Long-term Receivables				
	Staff loans	4 799	18 047	4 799	18 047
	Old age homes	58 132	100 386	58 132	100 386
	Short-term Investment Deposits				
	Call Deposits	31 077 680	26 181 834	31 077 680	26 181 834
	Bank Balances and Cash				
	Bank Balances	28 437 180	770 325	26 218 630	770 325
	Cash Floats and Advances	13 531	11 470	12 270	11 470
		141 551 112	108 294 390	139 331 302	108 294 390
	SUMMARY OF FINANCIAL ASSETS				
	Financial instruments at cost				
	Non-Current Investments	1	1	1	1
	Financial instruments at amortised cost				
	Non-Current Investments	14 983 551	13 295 235	14 983 551	13 295 235
	Long-term Receivables	11 226	19 014	11 226	19 014
	Long-term Receivables	259 560	258 954	259 560	258 954
	Long-term Receivables	6 800	6 800	6 800	6 800
	Long-term Receivables	194 920	186 062	194 920	186 062
	Current Receivables	40 378 691	34 332 511	40 378 691	34 332 511
	Current Receivables	351 079	756 890	351 079	756 890
	Current Receivables	2 332 526	4 315 998	2 332 526	4 315 998
	Other Receivables	18 846 231	19 072 244	18 846 231	19 072 244
	Other Receivables	1 023 841	1 062 233	1 023 841	1 062 233
	Other Receivables	3 571 365	7 906 385	3 571 365	7 906 385
	Current Portion of Long-term Receivables	4 799	18 047	4 799	18 047
	Current Portion of Long-term Receivables	58 132	100 386	58 132	100 386
	Short-term Investment Deposits	31 077 680	26 181 834	31 077 680	26 181 834
	Bank Balances	28 437 180	770 325	26 218 630	770 325
	Cash Floats and Advances	13 531	11 470	12 270	11 470
	Total Financial Assets	141 551 112	108 294 390	139 331 302	108 294 390
49.2	Financial Liability				
	In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :				
	Long-term Liabilities				
	Non-current Loans	157 973 589	155 825 073	157 973 589	155 825 073
	Payables				
	Trade payables	36 833 575	26 323 318	36 833 575	26 298 878
	Current Portion of Long-term Liabilities				
	Short-term portion of Non-current loans	17 180 613	14 457 926	17 180 613	14 457 926
	Cash and Cash Equivalents				
	Bank overdraft	-	10 185 666	-	10 185 666
		211 987 777	206 791 982	211 987 777	206 767 542

50 **EVENTS AFTER THE REPORTING DATE**

The municipality has no events after reporting date during the financial year ended 2010/2011.



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

51	IN-KIND DONATIONS AND ASSISTANCE	Economic Entity		Knysna Municipality		
		2011	2010	2011	2010	
		R	R	R	R	
	The municipality received the following in-kind donations and assistance:					
	Organisation	Contribution towards:				
	Belvidere Home Owners Association		-	30 000	-	30 000
	Eden District Municipality		-	250 000	-	250 000
	General public		150 000	1 202	150 000	1 202
	General public		2 576	161 833	2 576	161 833
	Nedbank Corporate		140 578	500 000	140 578	500 000
	Stewart Scott International		-	60 000	-	60 000
		293 154	1 003 035	293 154	1 003 035	

52 PRIVATE PUBLIC PARTNERSHIPS
Council has not entered into any private public partnerships during the financial year.

53	CONTINGENT LIABILITY		
	Claims against Council	6 558 504	6 558 504
	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:		
	Alleged transfer of property to the wrong person (CK2434, ref 13/R)	Unknown	Unknown
	Alleged wrongful impounding of trading goods and demolition of trading structure; claim for R 179 000 plus interest and costs (C01680, ref 14/1/1/1/13R)	179 000	179 000
	Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118)	6 314 504	6 314 504
	Possible cost order - Knysna Caring Services T/A Loeie Old Age Home.	65 000	65 000
		6 558 504	6 558 504

54 RELATED PARTIES
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1	Related Party Transactions	Rates Levied 1 July to 30 June:	Service Charges Levied 1 July to 30 June:	Other Charges Levied 1 July to 30 June:	Outstanding Balances at end of year:
	Year ended 30 June 2011				
	Councillors before 18 May 2011	46 068	84 709	737	7 058
	Councillors effective from 18 May 2011	19 593	33 088	5 218	7 933
	Municipal Manager and Section 57 Personnel	21 535	68 348	29 550	2 553
	Year ended 30 June 2010				
	Councillors	38 523	73 716	788	4 948
	Municipal Manager and Section 57 Personnel	23 525	58 914	-	1 892

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.

54.2 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 18 to the Annual Financial Statements.

54.3 Compensation of key management personnel
The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

54.4	Other related party transactions	Economic Entity		Knysna Municipality		
		2011	2010	2011	2010	
		R	R	R	R	
	The following purchases were made during the year where Councillors or Management have an interest:					
	<u>Councillor/Staff Member</u>	<u>Entity:</u>				
	Mr. R. Bouwer (Stores Clerk)	J.C.O Terblanche (Dis/Reconnection of	359 657	223 071	359 657	223 071
	Mr. R. Bouwer (Stores Clerk)	J.C Terblanche t/a P&H Services	153 230	-	153 230	-
	Mr. P. Claasen (Stores Officer)	G & C Suppliers	-	-	-	-
	Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Head to Head	11 214	11 930	11 214	11 930
	Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Global Wave	166 457	15 281	166 457	15 281
	Ms. L. Grobler (Customer care admin assistant)	Q&E Carpet Cleaners Knysna	4 110	-	4 110	-
	Ms. M. McDonald (Principal Technical Electrical)	Jam Electrical	341 197	-	341 197	-
	Ms. N. Mlisana	Zwelidumile Mlisana	2 850	-	2 850	-
			1 038 714	250 282	1 038 714	250 282



KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

53 RELATED PARTIES (CONTINUED)

54.5 Investment in Municipal Entity

The Municipality has a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency, as set out in note 17 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year.

55 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

55.01 GRAP 17 - Property, Plant and Equipment

2010

2010

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Property, Plant and Equipment	225 834 544	225 834 544
Accumulated depreciation on Property, Plant and Equipment	147 287 901	147 287 901
Opening balance revaluation adjustments	(28 352 876)	(28 352 876)
Total not previously recognised now restated retrospectively	<u>344 769 568</u>	<u>344 769 568</u>

55.02 GRAP 102 - Intangible Assets

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;	(2 038)	(2 038)
Accumulated amortisation on computer software	2 035	2 035
Total not previously recognised now restated retrospectively	<u>(3)</u>	<u>(3)</u>

55.03 GRAP 16 - Investment Properties

Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:

Investment Properties at fair value	175 288 306	175 288 306
Accumulated depreciation on Investment Properties	94 473	94 473
Fair value adjustments	(33 382 002)	(33 382 002)
	<u>142 000 776</u>	<u>142 000 776</u>



APPENDIX A: SCHEDULE OF EXTERNAL LOANS

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 30 JUNE 2010	Recapitulation	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
LOCAL REGISTERED STOCK										
Tswane City Council	16.35%	2 322 482	31/12/2013	2 322 482	-	2 322 482	-	-	-	2 322 482
Tswane City Council	16.45%	710 520	31/12/2018	710 520	-	710 520	-	-	-	710 520
Total Long-term Loans		3 033 002.00		3 033 002	-	3 033 002	-	-	-	3 033 002
ANNUITY LOANS										
ABSA	11.98%	15 000 000	30/06/2028	14 698 081	-	14 698 081	-	-	256 587	14 441 493
ABSA	10.65%	7 010 000	01/10/2028	6 839 085	-	6 839 085	-	-	128 897	6 710 188
ABSA	11.24%	7 000 000	30/09/2028	6 952 280	-	6 952 280	-	-	122 899	6 829 382
ABSA	10.04%	19 579 000	30/06/2029	19 267 782	-	19 267 782	-	-	366 176	18 901 606
DBSA	11.60%	11 339 800	30/06/2021	6 565 147	-	6 565 147	-	-	596 832	5 968 316
DBSA	11.97%	5 077 667	30/06/2022	3 206 947	-	3 206 947	-	-	267 246	2 939 702
DBSA	11.97%	1 194 900	30/06/2012	265 533	-	265 533	-	-	132 767	132 767
DBSA	12.05%	6 898 760	30/06/2023	4 720 204	-	4 720 204	-	-	363 093	4 357 111
DBSA	12.05%	1 965 640	30/06/2013	655 213	-	655 213	-	-	218 404	436 809
DBSA	11.60%	8 594 807	30/06/2024	6 333 016	-	6 333 016	-	-	452 358	5 880 658
DBSA	11.60%	1 911 374	30/06/2019	1 228 740	-	1 228 740	-	-	136 527	1 092 213
DBSA	11.60%	1 452 650	30/06/2014	645 622	-	645 622	-	-	161 406	484 217
DBSA	10.70%	9 380 257	31/12/2025	7 652 315	-	7 652 315	-	-	493 698	7 158 617
DBSA	10.70%	1 500 330	31/12/2020	1 125 248	-	1 125 248	-	-	107 166	1 018 081
DBSA	10.70%	1 979 824	31/12/2015	1 222 412	-	1 222 412	-	-	222 257	1 000 155
DBSA	10.70%	2 024 531	31/12/2010	265 710	-	265 710	-	-	265 710	-
DBSA	13.75%	34 437 967	30/06/2015	21 767 824	-	21 767 824	-	-	3 281 246	18 486 578
DBSA	11.25%	5 386 431	30/06/2026	5 374 848	-	5 374 848	-	-	335 928	5 038 920
DBSA	11.29%	1 741 830	30/06/2021	1 343 424	-	1 343 424	-	-	122 129	1 221 294
DBSA	11.25%	2 393 924	30/06/2016	1 450 088	-	1 450 088	-	-	241 681	1 208 407
DBSA	8.65%	8 000 000	29/06/2021	-	-	-	-	8 000 000	-	8 000 000
Eden District Municipality	0.00%	504 000	30/06/2013	100 800	-	100 800	-	-	25 200	75 600
INCA	10.77%	2 561 506	23/06/2011	593 506	-	593 506	-	-	593 506	-
INCA	10.81%	18 607 000	15/02/2027	17 667 715	-	17 667 715	-	-	400 711	17 267 004
INCA	10.87%	8 390 000	31/12/2012	4 774 254	-	4 774 254	-	-	1 759 676	3 014 578
INCA - Transferred to Standard Bank	11.25%	2 600 000	23/05/2018	2 305 048	-	2 305 048	64 222	-	202 817	2 166 453
INCA - Transferred to Standard Bank	11.24%	5 884 000	20/03/2019	5 539 331	-	5 539 331	309 828	-	574 245	5 274 914
INCA - Transferred to Standard Bank	10.72%	5 106 000	20/03/2014	4 284 460	-	4 284 460	221 121	-	1 067 893	3 437 687
Nedbank	10.08%	14 960 000	17/06/2020	14 960 000	-	14 960 000	-	-	902 363	14 057 637
Standard Bank	10.26%	10 000 000	30/09/2020	-	-	-	-	10 000 000	299 924	9 700 076
Total Annuity Loans		229 721 560		161 804 631	-	161 804 631	595 170	18 000 000	14 099 340	166 300 462
LEASE LIABILITY										
Finance Leases										
Total Lease Liabilities										
TOTAL EXTERNAL LOANS										
				161 804 631	171 627	168 165 309	595 170	20 110 799	15 328 776	173 542 503
				3 156 050	171 627	3 327 676		2 110 799	1 229 437	4 209 038
				3 156 050	171 627	3 327 676		2 110 799	1 229 437	4 209 038
				167 993 683	171 627	168 165 309	595 170	20 110 799	15 328 776	173 542 503

APPENDIX B: DISCLOSURE OF GRANTS AND SUBSIDIES

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

Grant Description	Balance	Contributions	Operating	Capital	Balance
	1 JULY 2010	during the year	Expenditure	Expenditure	30 JUNE 2011
	R	R	Transferred	Transferred	R
			to Revenue	to Revenue	
			during the year	during the year	
UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS					
Dist Grant - Karatara Water Meters	(200 000)	-	-	200 000	-
Dist Grant - Knysna Municipality Bio Diversity	(90 000)	(150 000)	90 000	-	(150 000)
Dist Grant - Knysna Survey Project	-	(80 000)	-	-	(314 761)
Nat Grant - DWAF: Masibambane	(234 761)	(22 278 864)	22 278 864	-	-
Nat Grant - Equitable Share	-	(1 452 000)	1 326 668	1 326 668	-
Nat Grant - Integrated Electrification Program	-	(1 000 000)	125 332	38 433	30 609
Nat Grant - Local Government Finance Management Grant	-	(5 000 000)	992 175	1 398 764	(3 601 236)
Nat Grant - Neighbourhood Development Partnership Grant(NDPG)	-	(11 673 000)	2 470 880	17 813 863	2 943 570
Nat Grant - Municipal Infrastructure Grant	(5 668 173)	(750 000)	817 973	-	67 973
Nat Grant - Municipal System Improvements Grant	5 315 156	(17 900 000)	26 430	12 584 844	-
Nat Grant - Municipal Disaster Management Grant (MDMG)	32 833	(74 000)	511 000	14 737	-
Prov Grant - Community Development Worker (Operat)	-	(511 000)	-	-	-
Prov Grant - Library	(70 949)	-	51 765	-	(19 184)
Prov Grant - Housing Consumer Education	2 126 375	(39 292 313)	34 509 117	3 087 347	430 526
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	(458 351)	-	-	-	(458 351)
Prov Grant - Public Transport Facility (Trans P/W)	(40 155)	-	40 155	-	-
Prov Grant - Ward Based Projects	(318 276)	-	282 017	-	(36 258)
Prov Grant - Poverty Alleviation (Social Development)	(166 071)	-	37 733	3 508	(124 830)
Prov Grant - Performance Management System (Management Support)	-	(200 000)	-	-	(200 000)
Prov Grant - Upgrade B-Field - Lorie Park	432 021	(333 333)	-	-	98 688
Other Grant - National Lottery (Sport)	(533 849)	(75 914)	75 914	419 759	(114 090)
Other Grant - Govan Mbeki National Housing Award	(547 958)	-	547 958	-	-
Other Grant - LG Seta Learnerships	(85 454)	-	85 454	-	-
Other Grant - IDC:Development Agency	-	(464 890)	-	-	(464 890)
Other Grant - UYF: Youth Advisory Centre	-	(150 000)	-	-	(150 000)
Other Grant: Sporting & Football Facility(France)	-	(2 205 136)	185 853	-	(2 019 283)
Other Grant: Sporting & Football Facility(Denmark)	-	-	-	-	-
Other Grant: IDC - Establishment phase	-	-	-	-	-
Total	(507 611)	(103 590 450)	63 128 620	36 887 924	(4 081 517)

6.3 REPORT OF THE AUDIT COMMITTEE

ON THE CONSOLIDATED FINANCIAL STATEMENTS AND RESPONSE TO THE REPORT OF THE AUDITOR-GENERAL (“A-G”)

Introduction

Apart from being required to assist Council in discharging Council’s oversight responsibilities and to advise Council, its political office-bearers, Councillors, Management and staff on various matters, the Audit Committee is specifically mandated by the MFMA and the Audit Committee Charter to:

- 1) Review the Municipality’s annual financial statements to provide Council with an authoritative and credible view of the financial position of the Municipality, its efficiency and effectiveness and its overall level of compliance with the MFMA and other applicable legislation.
- 2) Respond to Council on any issues raised by the A-G in the A-G’s audit report.

In our report, we shall deal with these two items in reverse order.

The A-G’s consolidated audit report includes comments related to the Knysna Economic Development Agency, as the entity’s financial statements were consolidated with those of the Municipality in terms of the MFMA. The entity was still in its infancy; because of what appeared to be uncertainty about its future, it was not in a position to meet some of the requirements normally applicable to municipal entities; and its operations, such as they were, had very little impact on the Municipality’s financial status. Its future continuance is currently still under consideration by the Municipality, a matter that clearly needs to be urgently resolved. In view of the above, we shall not comment further on the KEDA issues.

RESPONSES TO ISSUES RAISED IN THE A-G’S REPORT FOR 2010/2011

The Municipality, and particularly its Finance Directorate, is once again to be congratulated that it has received **an unqualified audit report**, this time for the fourth year in succession and for the fifth time in six years. This is a very praiseworthy achievement, particularly in the light of the continuing process of adapting to the GRAP system of accounting and of the Directorate’s severe staffing constraints. It is important to note, however, that an unqualified audit report is not the same as a “clean audit report”. Our Municipality did not achieve a clean audit report, as the A-G’s report raised a number of issues, especially under the headings “Report On Other Legal And Regulatory Requirements” and “Internal Control”, some of which would probably have resulted in a qualified report had the Auditor-General been expressing an opinion on them this year. These matters must be addressed in order not only to avoid an adverse opinion in the future but also, and more importantly from Knysna residents’ point of view, to “achieve sustained clean administration” (in the words of the A-G) and to improve the performance of the Municipality. It should also be kept in mind that the A-G’s audit is made on a sampling basis, so it cannot be assumed that any shortcomings identified by the A-G in his audit report and management letter are the only ones.

A-G’s Report on the Consolidated Financial Statements

Other than stating that the issues raised under “Emphasis of matters” and “Additional matters” should be noted by Council, we have no further comment.

RESPONSES TO ISSUES RAISED IN THE A-G’S REPORT FOR 2010/2011

Predetermined Objectives

- We agree with the A-G’s comment relating to the Municipality’s failure to assess the performance of the Municipality during the first half of the financial year in the manner prescribed by sec. 72(1) of the MFMA. The response by management to this finding of the A-G seems to us to have been a “smart-alecky” attempt to neatly side-step the issue by stating that the annual report had not yet been “dealt with” by Council and therefore it would be premature to consider it for the assessment. The point is that the MFMA by implication requires the annual report to be in existence in time for it to be used to draw up the assessment of performance that must be submitted to the mayor, National Treasury and the provincial treasury by 25 January (which is only a few days before the annual report must, in any event, in terms of the MFMA be tabled to Council). In future, this requirement must be observed.
- The A-G’s report stated that the reported performance information was deficient in respect of validity, accuracy and completeness and that, for the selected programmes, 21% of the reported indicators did not meet these criteria based on the source information provided. In his management letter, he also lists other shortcomings. We agree that, in spite of what we regard as further encouraging progress since the previous year in implementing a performance management system, there still are serious deficiencies to be attended to.

Performance management, as pointed out by Attie Butler of Ignite Advisory Services in the Spring 2011 issue of the IMFO Journal, is “*not a computer system but a complete process that starts with the IDP and ends with the annual report*” of a municipality. We believe that all four elements of proper management – planning, organizing, leading and controlling – must come into play, but in establishing and operating an effective performance management system leadership from the top is paramount. **We do not believe there was sufficient leadership and “buy-in” from top management relating to performance management for the period up to the end of the 2010-2011 year.**

Expenditure Management

- The A-G's comment relating to steps to prevent unauthorized, irregular and fruitless and wasteful expenditure appears really to relate only to fruitless and wasteful expenditure, as there is no reference in his management letter to the other two categories (which are, in any event, covered in note 44 to the financial statements). He basically wants a tightening up of procedures for identifying and recording fruitless and wasteful expenditure. Management has noted his comment and the Finance Directorate has indicated steps to be taken in this regard. Management might also be wise to review its measures for preventing unauthorized and irregular expenditure, although the A-G doesn't appear to have given any guidance in this regard.

Procurement and Contract Management

While stating in his management letter that there were no significant matters arising from his audit of procurement and contract management, the A-G did raise the following items in his audit report as requiring attention:

- The A-G identified awards, totaling slightly over R200 000, made to eight suppliers that had directors/members who were in the service of other state institutions without these suppliers submitting the requisite declarations in terms of the relevant regulations. Management has undertaken to establish and maintain a register of required declarations.
- The A-G identified three instances, totaling almost R75 000, where goods and services valued between R10 000 and R 200 000 were procured without the requisite three quotes as per the Supply Chain Management Regulations. The Municipality should investigate whether any measures are necessary to improve compliance with the Regulations.

Asset Management

- The A-G raised the matter of the asset register and what he regarded as a lack of reasonable steps to ensure that the Municipality had and maintained an effective system of internal control for assets (especially fixed property). This is a complex matter, which is common to very many municipalities. It involves discrepancies which have arisen over very many years between the asset register, the valuation roll, the deeds registry records, endorsements on title deeds etc. The Municipality has looked at the problem in detail and has begun to take steps to correct the situation on the most cost-effective basis.

INTERNAL CONTROL

- The A-G reported three areas where **leadership was lacking** in ensuring controls were in place:
 - for oversight regarding compliance with laws and regulations applicable to performance reporting;
 - regarding the monitoring of predetermined objectives so that valid, accurate and complete predetermined objectives are reported; and
 - regarding adequate oversight over compliance with laws and regulations to detect and prevent unauthorized, irregular and wasteful expenditure.
- According to the A-G, there was **no adequate action to address risks** relating to the achievement of complete and accurate performance reporting; **nor did management adequately monitor** and review reported performance information.

We agree with these comments by the A-G on internal controls, especially those relating to performance management issues. In his management letter, he also raises quite a number of other issues regarding the achievement of internal control objectives that will require management's attention; two areas among these, that are not mentioned in the A-G's audit report, we regard as being of particular importance:

- **IT Management:** once again, the A-G identified weaknesses in the following areas:
 1. user access control;
 2. programme change management;
 3. facilities and environmental control; and
 4. information technology service continuity.The position of IT Manager was vacant for the period under review, so these areas could not receive the necessary attention. The position was filled towards the end of 2011 and these matters are receiving attention.
- **Risk Management:** The A-G pointed out that a risk policy had not been adopted, nor a risk committee appointed, by financial year-end. We have been expressing our concern for some years now at the lack of action in this respect, which we attribute largely (again) to a lack of leadership at top management level.

In his assessment of the achievement of control objectives for the year, the A-G considered whether there were any material deficiencies in any of the three dimensions of control (namely the financial statements, the performance objectives and the compliance of the Municipality with laws and regulations) over fourteen functional fundamentals of internal control. Of these forty-two points of measurement (three dimensions times fourteen functional fundamentals) for the whole Municipality, only eleven reflected no significant deficiency. Of these eleven, six related to the Internal Audit and the Audit Committee (the only functions in the whole Municipality that had no internal control deficiencies at all of the types measured) and five related to the rest of the Municipality's thirty-six points of measurement. There is, therefore, still a long way to go in the field of internal control, which once again points to the need for strong leadership.

REVIEW OF THE MUNICIPALITY'S FINANCIAL POSITION, EFFECTIVENESS AND COMPLIANCE

Knysna continues to find itself in a difficult economic situation. The town remains highly dependent on tourism, which is depressed and likely to remain so for some years because of the protracted world recession and particularly the current severe crisis in Europe. Construction activity in the town also remains weak. Large numbers of properties are up for sale and many B&Bs and other businesses are closing down.

The successive large rises in electricity charges levied on the Municipality by Eskom and only partly passed on by the Municipality to consumers in its electricity tariffs will continue for another few years. This means that the people of Knysna will still be effectively paying for Eskom's bad management not only by means of the greatly increased electricity tariffs but also by making up the shortfall from property taxes, other tariffs and/or reduced service delivery.

As we pointed out last year, Knysna's tax base is very narrow, being heavily dependent on domestic ratepayers, a large percentage of whom are retirees of limited means, for whom the current historically very low interest rates also mean lower incomes. There has been no growth in the non-domestic sector in Knysna over the past ten to fifteen years, while the influx of poor people continues. There will be little scope, if any, for property tax increases and the ability of its debtors to pay their bills to the Municipality for taxes and services will come under pressure in the next few years. Other sources of municipal income are presently largely out of the control of municipalities. The national government's revenues are also coming under pressure, so significant additional revenue from that source for our Municipality is unlikely in the near future.

The Municipality has already instituted some cost-cutting measures, has started tightening up on its payment enforcement regime and is wisely limiting its borrowings substantially. These actions have borne fruit in the year under review, as can be seen from the figures we mention below.

REVENUE

During the 2010/2011 financial year, revenue increased by R57 million from R446 million in 2010 to R503 million in 2011. This is an increase of 13%, which is far less than the previous year's unsustainable increase of 27%. During this year property taxes increased by R8 million and electricity tariffs by R21 million. Government grants and subsidies were down by R26 million and represented 20% of total revenue compared to 28% in the previous year. The decrease in grants was due to the Disaster Management Grants falling away after the end of the drought. The Equitable Share Grant of R22,3 million (compared to R19,3 million in 2010), which represents the Municipality's share of National Revenue, made up 4,4% of revenue compared to 4,3% in 2010. This grant is supposed mainly to cover the cost of services to indigent members of the community but is insufficient to cover these expenses. The gross profit percentage from the sale of electricity fell to 38,5% from 41,5% in 2010. The national norm for the gross profit percentage is just over 40%. This reflects the Municipality's decision not to pass on the entire Eskom increase to consumers.

EXPENDITURE

Employee-related costs increased by 9,4% and as a percentage of total expenditure rose from 24,5% in 2010 to 31,0% in 2011. This is still less than the national norm of 40%, which indicates the number of unfilled positions particularly in the financial and technical directorates.

The cost of repairs and maintenance as a percentage of total expenditure has increased slightly to 4,93% from 3,69% in 2010. The national average is around 7%. The assets of the municipality, particularly those relating to infrastructure, are old and require a lot of maintenance if they are to be kept in line with regulatory standards. The recent incident at the sewerage works should serve as a warning.

It is also essential that all services be properly "costed" so that the true costs can be known and appropriate policy decisions can be taken.

RECEIVABLES

Total net receivables (after the provision for doubtful debts has been taken into account) increased by 6% to R63 million from R59 million in 2010. Gross receivables outstanding for over 90 days actually decreased to R47 million from R52 million in 2010, a decrease of 10%. However the provision for bad and doubtful debts at the end of 2011 was R36 million compared to R27 million in 2010, an increase of 33%. The collection period has remained the same at 104 days over the last three years. Enforcement measures have been strengthened in order to maintain this in view of the present adverse economic climate.

LIABILITIES

The current ratio, which measures the current assets against current liabilities, has improved slightly from 1,24 in 2010 to 1,46 at the end of the past financial year. This ratio indicates the ability of the municipality to use its near cash assets to pay its current liabilities when they become due. The norm for this ratio is 1,75. The fact that this ratio is still below the norm indicates a potential liquidity problem. The quick ratio, which is the ratio of current assets, excluding receivables and inventory, has also improved from 0,49 in 2010 to 0,72 in 2011. The norm in this case is 1.

These ratios, which are very important to creditors and particularly to long-term creditors, indicate the current financial health of the municipality has improved since last year, but further improvement is obviously necessary.



CASH

The free cash, that is the cash and cash equivalents less the unspent conditional grants and deposits pledged to the Development Bank of South Africa, increased from just over R1,4 million in 2010 to R44,2 million in 2011. This increase has resulted in the improvements in both the current and quick ratios and is a reflection of management's ability to improve what has been an area of great concern. The municipality's liquidity position, in spite of this improvement, is still not out of the woods and must continue to receive serious attention.

COMPLIANCE, EFFICIENCY & EFFECTIVENESS

As far as compliance, in relation to financial matters, with the provisions of the Municipal Finance Management Act (MFMA) and other legislation is concerned, the Municipality continues to do reasonably well, particularly when compared to many other Municipalities.

On the other hand, the shortcomings related to the performance management, internal control, risk management and other legal and regulatory issues referred to in the section of our Report dealing with the A-G's Report give serious cause for concern. Until these matters are fully addressed, the Municipality will not be able to meet the required standards of efficiency and effectiveness required to manage the town optimally and to achieve the necessary standard of service delivery.

CONCLUSION AND RECOMMENDATIONS

While the Knysna Municipality is generally recognized to be one of the better-managed medium-sized municipalities in the country and much has been achieved, there is still a lot of room for improvement, as the A-G's audit report shows. The Municipality now has a golden opportunity to set a new course towards achieving real excellence in its governance of the town. The new IDP preparation cycle is under way, a new Council has taken office, a new political administration is in place and a new Municipal Manager will shortly be appointed. It is up to the Council to set the tone for the next five years and beyond by taking wise decisions. This is particularly necessary in the light of the unpromising economic climate that is likely to persist for some years.

For some years now we have been warning that Knysna faces tough choices and, in the absence of any clear indication of the introduction in the near future by the national government of radically increased national funding, or other direct taxation opportunities for municipalities, urgent steps will have to be taken by the Municipality to enable these tough choices to be wisely made and for new strategic plans to be drawn up and implemented.

We believe these steps should include:

- The appointment of a first-class, well-qualified, dedicated and experienced manager to the post of Municipal Manager, who will be able to run the Municipality along professional managerial lines and be dedicated to the implementation of a viable and effective performance management system;
- Consolidating the Municipality's financial position in the near and medium term, by reprioritizing expenditures, restructuring the town's administration, making optimal use of available resources and concentrating on the core functions of local government;
- The drawing up of an innovative and imaginative IDP that not only takes into account the constraints of the economic situation likely to prevail over the next five years, but also the immediate service delivery needs of the residents and the maintenance of our current aging infrastructure; and
- The preparation of a long-term forward plan clearly defining what kind of town the residents wish to have in future, how such a town will be able to remain sustainable and the future infrastructure development and maintenance necessary to meet the longer-term needs of the town.

Both the A-G and we have mentioned the word "leadership" numerous times in our reports. And leadership of the highest quality is required from the political leadership of all parties in Council, from the new MM and top management in the administration and from civil society leaders to work together to ensure that this opportunity is not wasted.

We recommend that Council –

1. Note and consider the Auditor General's audit report and the Audit Committee's report and take appropriate and timeous action in regard to matters raised therein;
2. Approve the Municipality's audited Financial Statements for the year 2010-2011; and
3. Direct its Finance and Governance Committee to review the A-G's report and the Audit Committee's report and draw up proposed action at its meeting March 2012 meeting for consideration by Council arising out of these reports.

We express our thanks to those of the Municipality's senior Management and staff (especially the Financial Director and his staff) who have given us their close co-operation during the year; also, our thanks are due to Council's political office-bearers and Councillors, the Auditor-General's staff and contracted-out auditors, and the Internal Auditor's staff for co-operation during the past year.

R BARRELL (Chairperson)
P BASTIAN
N METELERKAMP
D MULLER

Knysna, 16 January 2012



6.4 OVERSIGHT REPORT

1. Introduction

The 2010/2011 Annual Report was tabled on 26 January 2012 in compliance with the Municipal Finance Management Act (MFMA) which requires under Section 127 (2) that:

'The Mayor of a municipality must, within seven months after the end of a financial year table in the municipal council the annual report of the municipality.'

In dealing with the tabled Annual Report, Council is required to adopt an Oversight Report by not later than two months from the date of tabling, which for the 2010/2011 report will be 31 March 2012.

An Oversight Report should contain Councils comments on the annual report and must include under section 129 (1) of the MFMA a statement as to whether the council:

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

2. The Oversight Committee

Two political parties and one independent Councillor are represented on the Oversight Committee. Two members of the Audit Committee and a member of the Public were co-opted as advisory members of the committee.

The functions of the Oversight Committee are to:

- Undertake a review and analysis of the Annual Report
- Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report
- Consider written comments received on the Annual Report from the public consultation process
- Conduct Public Hearings to allow the local community or any organ of state to make representations on the Annual Report
- Receive and consider the views and comments of the Councils' Audit Committee on the annual financial statements and the performance report
- Prepare the draft Oversight Report taking into consideration, the views and inputs of the public, representatives of the Auditor General, organs of state, Councils' Audit Committee and Councillors.

3. 2010/2011 Annual Report Consultation Process

The community was advised through the print media of the availability of the Annual Report and was invited to submit representations on the report.

The Annual Report was available at all municipal libraries and offices and was also placed on the Knysna Municipality web site. The Annual Report was also submitted to the Auditor General, National Treasury, Provincial Treasury and the department of Local Government and Traditional Affairs.

At the closing date for public submissions of 22 February 2012 one submission was received and a Public Hearing was held on 29 February 2012, which was not attended by any member of the public or other interested parties.

4. Summary of Comments on the 2010/2011 Annual Report

4.1 Council

4.1.1 Purpose of Annual Report

The purpose of the annual report as set out in MFMA Circular 32 is:

To provide a record of the activities of the municipality or entity;

To provide a report on performance in service delivery and budget;

To provide information that supports the revenue and expenditure decisions made; and

To promote accountability in the local community for decisions made.

MFMA Circular No 11 states:-

"The MFMA now requires the municipality to report on all aspects of performance providing a true, honest and accurate account of the goals set by council and the success or otherwise in achieving these goals"

4.1.2 Format of Report

In prior years the format of the Annual Report largely followed the Guidelines contained in MFMA circulars 32 and 11. During the current year the municipality purchased a template specially prepared by a consultant for the preparation of the Annual Report. The Annual Report is largely based on this purchased template.

Whilst it is alleged that this purchased template has the blessing of the Auditor-General and of the Provincial and National Governments this has not been substantiated.

A comparison between the Guidelines mentioned above and the purchased template also reflect marked differences.



4.1.3 Comment on Annual Report

It should not be the function of the Oversight Committee to audit and edit the Annual Report.

However in reading the Report one becomes aware that, as was the case in prior years, the Annual Report submitted to Council at its January 2012 meeting, whilst complete in respect of the financial information, was deficient in respect of some of the other important reporting requirements.

Whilst the standard of the Report appears to be better than prior years the Annual Report still contains typing, grammatical, numerous apparent factual errors as well as omissions of information as is more fully dealt with below.

In spite of having purchased a template to facilitate the preparation of the Annual Report, the final document did not fully meet the requirements as laid down by that template.

It is a sad reflection of the attitude of Municipal Officials to a statutory requirement that again an incompletely prepared and badly structured document containing errors was not only presented to Council at its January meeting, but also widely publicised and advertised, as the Municipality's official Annual Report.

It would also appear that some officials regard the annual report solely as a tool to promote the positive image of their departments and the municipality and thus do not focus on comparing actual with promised performance. This is compounded by setting too low targets.

On Annexure B1 there is set out examples of errors, incomplete information and of apparent overstatements of the success of achievements.

The Committee would in particular point out that in Chapter 4.9 dealing with the Service Providers' Strategic Performance these service providers are given good to excellent ratings without those ratings being motivated. It is common cause that certain of these services provided fell far short of an excellent rating. (See the representation by the member of the Public).

The obvious errors in grammar and spelling will be rectified in the final published Annual Report.

In the committee's opinion not enough emphasis is placed on matters which if not addressed will lead to a complete breakdown in services. The following are examples:-

- **Pollution:** The only reference to pollution is contained in the "Overview by the Acting Municipal Manager" Knysna relies extensively for its existence on Tourism. Pollution of the Knysna Estuary (Lagoon) could be the death knell of tourism and threaten the very existence of the town.
- **Housing:** In spite of building 420 houses the Housing waiting list grew from 9840 to 10550 units. At the current rate it will take some 25 years to eradicate this backlog (assuming no growth) yet, whilst it is accepted that Housing is a national/provincial function, no information is given how this problem will be addressed.
- **Backlogs:** No information is contained about the backlogs and as to how these backlogs in the following functions will be addressed: **Water, Electricity, Sewerage, Roads and Storm Water.**
- The economic downturn is not given enough emphasis as it is understood that some 50% of the properties in the Industrial Area are vacant whilst numerous shops in town are also empty.
- Unemployment statistics are not given.

The Committee draws attention to the following items which require special emphasis, and also to certain items not covered in the Annual Report:-

These are commented on below:-

- The Auditor-General reported that the draft annual report had not been submitted to him for review to identify material inconsistencies.
- The audit report, whilst unqualified, was not a clean audit report. This matter is commented on by the Audit Committee in their report with a warning that "These matters must be addressed in order not only to avoid an adverse opinion in future..."
- The report of the Knysna Audit Committee includes a comment, on the performance management system, which is important and requires special emphasis. This comment reads. "We do not believe there was sufficient leadership and "buy-in" from top management relating to performance management for the period up to the end of the 2010-2011 year."
- Other matters mentioned by the Knysna Audit Committee are:-
 - (a) Knysna finds itself in a difficult economic situation with a very narrow tax base. It is heavily dependent on domestic ratepayers a large percentage being retirees and, therefore, the municipality's scope for property tax increases and the ability of debtors to pay their bills to the municipality will continue to be under pressure,
 - (b) The under spending on maintenance of assets: "The assets of the municipality, particularly those relating to infrastructure, are old and require a lot of maintenance if they are to be kept in line with regulatory standards. The recent incidents at the sewerage works should serve as a warning."
 - (c) the municipality's liquidity position continues to be a concern.
- The Accounting Officer's assessment on any arrears on municipal taxes and service charges was, not included;
- An assessment by the Accounting Officer of the Municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget, was not shown;

- Whilst details of long term loans are provided in the financial statements, the revised Annual Report is silent on any other long term contracts;
- No details are included in the Annual Report on information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations;
- The report does not contain a three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework and there is no mention on how the municipality plans to deal with the upgrading of the decaying infrastructure and maintenance thereof;
- Whilst it is not apparent from the Report the Auditor-General pointed out that the Municipality had no Risk Management Policy in place.;
- Budget to actual comparisons with a narrative for material variances are not shown in the Annual Report;
- Quarterly information on Grants are not given;
- No information on Public/Private partnerships;
- The credit rating achieved by the municipality is not shown;
- No information on Supply Chain Management: and
- The Committee stresses that the figures given with regard to performances may be largely incorrect.

The above comments should not be regarded as covering each and every possible shortfall in the contents of the Annual Report.

Turning to the 2010/2011 Annual Report for Knysna, the committee believes that for the reasons given above, this Report does not justify the time and costs involved.

4.2 Oversight Committee

The Oversight Committee held meetings on the following dates:

1 February 2012
14 February 2012
29 February 2012
12 March 2012

As mentioned in 4.1 there were certain material deficiencies in the Annual Report. Set out below in 5 are reservations and comments which the Oversight Committee has with regard to the revised Annual Report.

4.3 Community/ Other Spheres of Government Comments

A member of the community, Mr. T J Holmes made written representations to the committee. This representation is included in this report as Annexure B1.

In his representation Mr. Holmes summed up his conclusions as follows:-

“I believe that this Annual Report and those for the prior years have failed to fully meet the purpose for which it was compiled because:-

- It is too long and badly structured. I cannot believe that many members of the local community would read through this document and gain an understanding of what the municipality has achieved and what problems it faces.
- A cursory review also indicates that there are many repetitions of the same numbers and it is also obvious that certain figures are inaccurate.
- The general impression gained that it is a document produced so that a box can be ticked as having been done. At the same time it is used by some departments to boost their performance and hide their inefficiencies

The report does not emphasise enough the problems with regard to aging infrastructure; the in-migration of poorer communities which continues to put pressure on Municipal resources; and, the impact of the economic downturn.”

In his specific comments Mr. T J Holmes sets out examples to substantiate his comments as set out above.

The Committee having considered this report can only support the conclusions reached by Mr. Holmes.

The Committee also believes that the lack of input from stakeholders (including Councillors) generally is due to what Mr. Holmes describes as a long and badly structured report

5. Reservations and Comments

5.1 Format of Annual Report

As mentioned under 4 above the Annual Report was based on a purchased template and did not follow Annual Report: Guideline (MFMA circular 11). These omissions and errors in the Annual Report are numerous and it neither fully meets the requirements of the purchased template nor the Circulars mentioned.

Chapter 4.2.3 reflects the bad structuring of the report as KPI's are not dealt with by clearly defining Departments or sections. These appear to be haphazardly arranged. It would also have been more meaningful if the 2011/12 targets were shown on the same schedules.

It might be opportune to mention that the Oversight Committee in reviewing the 2009/2010 Oversight Report drafted a template/checklist which was handed to the Officials for use in future years. Regrettably this was not used at all by the officials and had it been implemented would have overcome the problems experienced.



5.2 Service Delivery Backlogs

It is of particular concern to the Oversight Committee that no reliable information is available in respect of service delivery backlogs for roads and storm water and sewerage. No comments are included on other infrastructure items that are decaying such as sea walls.

It is recommended that every effort be made to establish the exact state of all backlogs before completion of the next Annual Report. Without correct information on backlogs proper planning for the future can not take place.

5.3 Annual Performance Report

The Annual Report now contains the Service Delivery and Budget Implementation Plan 2010/2011 with targets for 2011/2012. However, these figures and targets are not complete in all aspects nor does it provide any details of how improvements planned for the next year will be achieved. This requires further fine tuning.

5.4 General

As mentioned under 4.1 the Annual Report presented to January 2012 meeting is deficient and did not fully meet the requirements of an Annual Report.

The Committee is of the opinion that it is unacceptable for a document which was presented to Council, to various Government Departments and to the general public to contain so many errors which could have been avoided had proper care been exercised in its preparation.

The Committee strongly recommends that more care be exercised in producing information that is released for public consumption.

5.5 Conclusion

The conclusion reached is that the prescribed form of the Annual Report, even if fully compliant with Circular 33 and Circular 11 of the MFMA, would NOT ADD VALUE commensurate with the cost of producing the report, to municipal reporting. Urgent attention should be given by National and provincial Government to restructuring the form and required content of the Annual report so as to provide a shorter and more meaningful report.

6. Recommendation

- (a) That Council having fully considered the annual report of the municipality for the 2010/2011 financial year and representation thereon, adopt the Oversight Report together with the Annual Report in spite of the reservations about the shortcomings listed under 4.1 and 4.3 of this report, as the time and costs of correcting these shortcomings can not be justified at this late stage;
- (b) That Council notes the comments of the Oversight Committee as recorded under 5 above and that the Mayor be requested to ensure that these deficiencies be rectified in the Annual Report for the Current Year;
- (c) That the quality of the Annual Report as produced be included as a factor in the performance evaluation of all officials who have to provide the necessary inputs for the completion of a top class Annual Report;
- (d) That the oversight report be made public in accordance with Section 129 (3) of the Municipal Finance Management Act 56 of 2003;
- (e) That the oversight report be submitted to provincial legislature in accordance with section 132 (2) of the Municipal Finance Management Act 56 of 2003;
- (f) That the comments made by the Oversight Committee on the prescribed form of the Annual Report be referred to the National and Provincial Governments for their attention; and
- (g) That Council directs the Financial and Governance Section 80 Committee to consider the Auditor-General's audit report and management letter and the Audit Committee's report for the year, as contained in the Annual Report, and recommended action to Council arising therefrom.

M Gombo (Chairperson)
B Charlie
C Witbooi
N Sopeki
N Metelerkamp
R Barrell
J K A Botha

ANNEXURE: EXAMPLES OF APPARENT ERRORS, OMISSIONS AND POSSIBLE MISSTATEMENTS

The following are a few examples of apparent anomalies, misstatements, incomplete items in the report.

1 Source of information

Where statistics are used in the report the source of information is not given e.g. Population Statistics 1.1.2.

2 Apparent over emphasis of success.

2.1 Functionality of ward committees: Chapter 2.3.2

This matter is very debatable. Refer also Mr. T J Holmes's representations

2.2 Public participation were participative and informative: Chapter 2.4.7

This is a gross overstatement. Refer also Mr. T J Holmes's representations

2.3 Local Economic Development: Chapter 4.1

It is extremely unlikely that 9576 jobs were created during 2009/10 and 2344 during 2010/11.

2.4 Ward Committee Meetings: Chapter 4.2.1

It is unlikely that 16 Ward Committee meetings were held during 2010/2011

2.5 IDP endorsed by all wards: Chapter 4.2.1

No minutes were circulated to those participants at meetings. Refer also Mr. T J Holmes's representations

3. Apparent errors or incomplete information in report

3.1 Turnover rate: Chapter 3.4.3

The figures on this table do not 'cross add'.

3.2 Sick Leave: Chapter 3.5.2

The serious variation in statistics from year to year with no explanations places a question mark over those statistics.

3.3 Approval of main budget: Chapter 4.2.1

Target 100%, Actual 300%?

3.4 2009/2010 figures used in report: Chapter 4.2.3

See Financial Viability Details

3.5 Target 100% but achieve greater than 100% Chapter 4.2.5

Too numerous to list!

3.6 Incomplete 'Awaiting AFS' Chapter 4.4.2

Table 15 is incomplete actual total missing.

3.7 Apparent incorrect figure Chapter 4 Table 18 Housing

2010/11 Spent equates exactly to allocation being exactly R 52 000 000.

3.8 Wrong wording or Freudian slip?: Chapter 4.7.2

"Municipal funding is not efficient"

3.9 Environmental Management Initiatives: Chapter 4.8.2

Created 100 jobs Budget R 1.1 million, actual spent R nil

4 Information shown in one section differs from that in another

4.1 Financial Viability Debt coverage: Chapter 4.2.3: 2009/10 is 13.52.

Chapter 6 the debt coverage is shown as 10.2 for 2009/10 and 11.69 for 2010/11.

4.2 Service debtors: See similar differences between Chapter 4 and Chapter 6.

4.3 Cost coverage as per 4.1 difference in figures.

EXTRACT: COUNCIL MINUTES; 28 MARCH 2012

8.12 OVERSIGHT REPORT: 2010/2011 FINANCIAL YEAR

Director: Corporate Services: Administration

Resolved

- [a] That Council having fully considered the annual report of the municipality for the 2010/2011 financial year and representation thereon, adopt the Oversight Report together with the Annual Report in spite of the reservations about the shortcomings listed under 4.1 and 4.3 of this report, as the time and costs of correcting these shortcomings cannot be justified at this late stage;
- [b] That Council notes the comments of the Oversight Committee as recorded under 5 above and that the Mayor be requested to ensure that these deficiencies be rectified in the Annual Report for the Current Year;
- [c] That the quality of the Annual Report as produced be included as a factor in the performance evaluation of all officials who have to provide the necessary inputs for the completion of a top class Annual Report;
- [d] That the oversight report be made public in accordance with Section 129 (3) of the Municipal Finance Management Act 56 of 2003;
- [e] That the oversight report be submitted to provincial legislature in accordance with section 132 (2) of the Municipal Finance Management Act 56 of 2003;
- [f] That the comments made by the Oversight Committee on the prescribed form of the Annual Report be referred to the National and Provincial Governments for their attention; and
- [g] That Council directs the Financial and Governance Section 80 Committee to consider the Auditor-General's audit report and management letter and the Audit Committee's report for the year, as contained in the Annual Report, and recommended action to Council arising therefrom.



LIST OF ABBREVIATIONS

AG	Auditor-General	MBRR	Municipal Budget And Reporting Regulations
AST	An Attractive and Sustainable Town	MFMA	Municipal Finance Management Act No. 56 of 2003)
BESP	Built Environment Support Program	MIG	Municipal Infrastructure Grant
CAPEX	Capital Expenditure	MKPA	Municipal Key Performance Area
CBD	Central Business District	MI	Megaliter (1,000,000liters)
CBP	Community Based Planning	MM	Municipal Manager
CCT	A Caring and Content Town	MMC	Member of Mayoral Committee
CFO	Chief Financial Officer	MSA	Municipal Systems Act No. 32 of 2000
CoGTA	Cooperative Governance and Traditional Affairs,	MTECH	Medium Term Expenditure Committee
DEA	Department of Environmental Affairs	NERSA	National Energy Regulator of South Africa
DEADP	Department of Environmental Affairs and Development Planning	NGO	Non-Governmental Organisation
DM	District Municipality	NT	National Treasury
DMG	District Municipality Grant	OPEX	Operating expenditure
DoRA	Division of Revenue Act	PDI	Previously Disadvantaged Individual
DPLG	Department of Provincial and Local Government	PGWC	Provincial Government Western Cape
DWAF	Department of Water Affairs and Forestry	PI	Performance Indicator
EE	Employment Equity	PMS	Performance Management System
EPWP	Expanded Public Works Programme	PPP	Public-Private Partnership
FST	A Financially Sound Town	PT	Provincial Treasury
GAMAP	Generally Accepted Municipal Accounting Practice	R	Rand (Currency)
GRAP	Generally Recognised Accounting Practice	Rev	Reverend
HH	Households	RFT	A Reliably Functioning Town
HR	Human Resources	RO	Reverse Osmosis
IDP	Integrated Development Plan	SALGA	South African Local Government Organisation
IFRS	International Financial Reporting Standards	SAMDI	South African Management Development Institute
IMFO	Institute for Municipal finance officers	SCM	Supply Chain Management
INEP	Integrated National Electrification Programme	SDBIP	Service Delivery and Budget Implementation Plan
KDAC	Knysna Drug and Alcohol Centre	SDF	Spatial Development Framework
KI	Kiloliter (1,000 liters)	SRT	A Successful and Respected Town
KPA	Key Performance Area	SS	Sub Station
KPI	Key Performance Indicator	STATSSA	Statistics South Africa
kWh	Kilowatt-hour	TPF	A Town Prepared for the Future
LED	Local Economic Development	VIP	Ventilated Improved Pit (toilet)
LI	Labour Intensive	WCPA	Western Cape Provincial Administration
LLF	Local Labour Forum	WTW	Water Treatment Works
MAYCO	Executive Mayoral Committee	WWTW	Waste Water Treatment Works



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