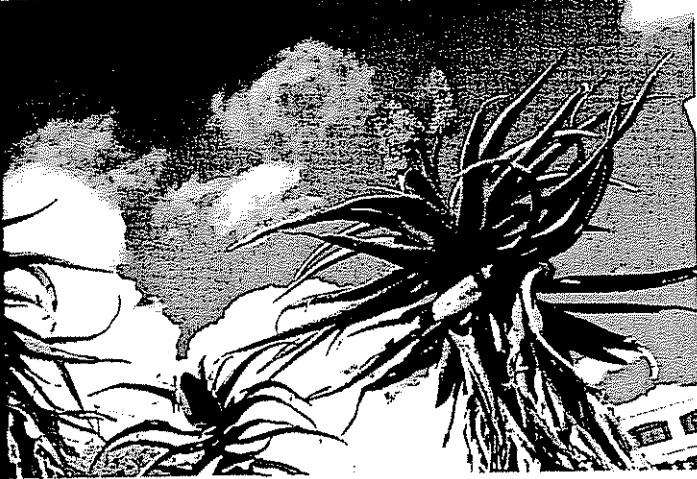
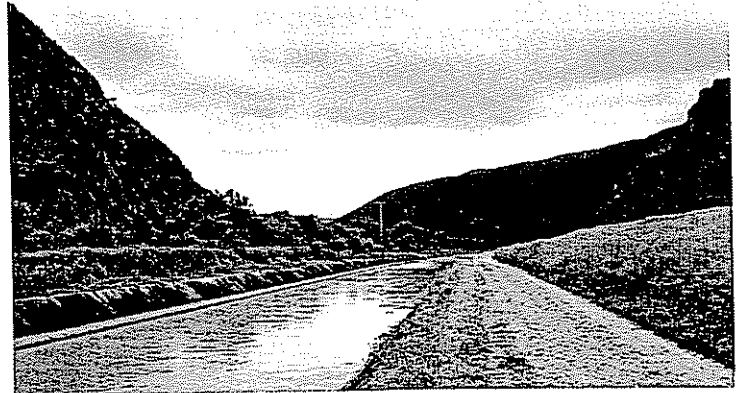
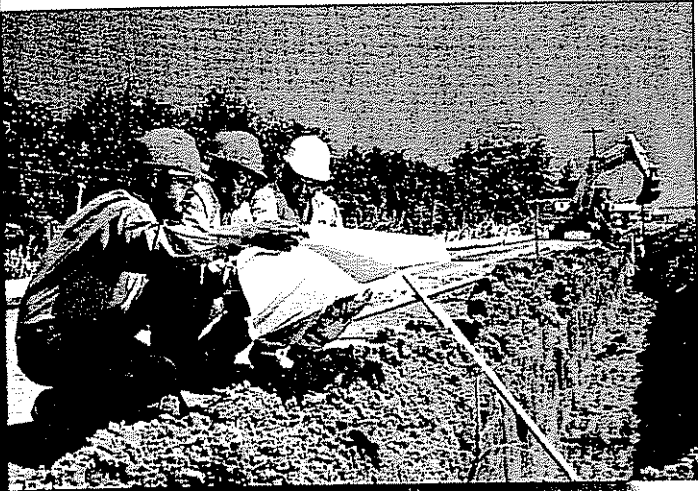


Cacadu District Municipality



Annual Report 2006/2007



C a c a d u
DISTRICT MUNICIPALITY
Province of the Eastern Cape
progress through development



*Cacadu is committed to the fight
against HIV & Aids*

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CHAPTER 1

INTRODUCTION AND OVERVIEW

EXECUTIVE MAYOR'S FOREWORD

THE DEVELOPMENT FACILITATION ROLE

The Cacadu District Municipality (Cacadu DM) adopted a Development Facilitation model to guide its business processes.

This role has three complementary subsidiary roles –

- the Cacadu DM as a district-wide integrated planning authority.
- the Cacadu DM as an infrastructure development agent.
- the Cacadu DM as a technical and institutional capacity resource to local municipalities.

The decision to embark on this route was as a result of extensive consultation with the local municipalities and other stakeholders. It was agreed that for the District as a whole to flourish, it needs strong and vibrant local municipalities. Local municipalities are therefore directly responsible for the provision of municipal services. The Cacadu DM's role is to support the local municipalities to achieve this objective.

When the Integrated Development Plan for 2006/07 was considered, it was agreed that the Development Facilitation model should be re-evaluated by the new Council which was to take office following the municipal elections in March 2006.

A strategic planning session was held in September 2006, with the primary objective to evaluate the development facilitation model. It was agreed that the Municipality continue with this role. The Stratplan exercise also identified certain strategic issues that must find expression in the 2007/08 Integrated Development Plan. These included –

- having a formal local municipality support programme.
- forging partnerships for development.
- being a Communication and Information Centre.
- being a Planning and Integration hub.

The identification of the above issues, as well as the need for organizational revitalization, was crucial in helping shape the strategic agenda (IDP) of the Cacadu DM, for the next five years.

HIV AND AIDS

During the period of review, the HIV and AIDS Workplace Policy was approved. This policy essentially sets out this institution's obligations in assisting its employees with regards to the HIV and AIDS pandemic.

The District HIV and AIDS Council met four times during the period of review. It was recognized that a comprehensive district-wide strategy is required. The processes to develop the strategy commenced in 2006/07. It is envisaged that the strategy will be formally adopted in the 2007/08 financial year. The involvement of stakeholders is gratifying. However, it is acknowledged that greater involvement of the private sector is needed for an integrated approach.

The Cacadu DM hosted the Provincial World Aids Day programme in Grahamstown, Makana. The occasion was well attended and graced by the presence of the Premier and Members of the Executive Council. Build-up programmes and door to door campaigns highlighted the scourge of the pandemic. Needy families were assisted, and the help of other social partners was also enlisted.

SPECIAL PROGRAMMES

The Cacadu DM has been actively involved in celebrating most of the National commemoration days, the International Day of the Disabled, as well as Childrens' Day. In addition, it has financially assisted the local municipalities to ensure the success of various events.

The institution has also financially supported schools sporting events, as well as teams from the District that were involved in Regional, Provincial and National events.

As much as Youth, Disabled and Women across the District were trained in life skills and business skills, it recognized that this needs to be part of an integrated development strategy, and not be done on an ad hoc basis. For this reason, the need to develop a comprehensive strategy targeting youth, women and the disabled was highlighted. It is envisaged that this will be completed in the 2007/08 financial year.

In conjunction with the SABC, the Municipality actively campaigned in the 16 Days of Activism Against Abuse and Violence Towards Women and Children. The occasion culminated in a Jazz Festival. The proceeds of the event were utilized to assist needy families in the Hankey area.

TOUCH AFRICA

The Cacadu DM, in partnership with a private sector company, also embarked on an initiative that dealt with the revitalization or upgrade of community facilities in parts of the Baviaans, Koukamma, Kouga and District Management Areas. This project was appropriately named Touch Africa. This is a make-over of community facilities, using local artisans. The project was not confined to the upgrade of community facilities. It included,

for example, the placement of a child needing constant medical attention into specialized care, as well as the refurbishment of a school bus for the transportation of learners.

Each of these initiatives were filmed and broadcast on various DSTV channels.

BRANDING AND PROMOTING THE CACADU DISTRICT

The Cacadu brand was launched during October 2006 in Johannesburg and Port Elizabeth. The brand, which was developed with extensive input from stakeholders, aims to create opportunity for economic growth for local businesses by communicating the District's distinct appeal more effectively.

Advertising and media coverage in terms of the brand has resulted in increased interest in trade and investment initiatives, as well as tourism products and destinations in the District. Over 400 products have been registered on the Cacadu Website, and signboards welcoming travellers to the District were erected on all routes entering the District.

In addition, the Cacadu DM financially supported the International Society for Conservation Biology Convention in Port Elizabeth, and the South African F1 Power Boat Grand Prix in Port Alfred.

The Municipality's support of these events brought increased visitors to the District.

INTERGOVERNMENTAL RELATIONS AND PARTNERSHIPS

All intergovernmental structures in the District are aligned to comply with the provisions of the Intergovernmental Relations Framework Act.

The Cacadu District Mayors Forum plays an important role in ensuring that development in the District receives the necessary attention. The Forum is supported by a number of Technical Forums.

The decisions taken at the Forum have to be formally adopted by the various Councils, and certain issues are taken up to the Premier's Co-ordinating Forum.

Due to the geographic position and interdependence of the Cacadu District and the Nelson Mandela Metro, a partnership agreement was signed between the two municipal institutions. The agreement highlights the areas in which the municipalities have agreed to exchange experience, knowledge and co-operation.

In the ensuing financial years, we hope to see the benefits of the partnership with the Metro, as well as the other partnership that we signed with the Cape Winelands District Municipality.

PUBLIC PARTICIPATION, OUTREACHES AND IMBIZOS

During the period under review, a number of outreaches to communities were conducted. Many of these outreaches culminated in the hand-over of completed projects. Furthermore,

some of the National Departments, as well as many of the Provincial Departments, accompanied the Premier and the MECs, also conducted outreaches in the District, and engaged extensively with communities. The big challenge is to now realistically address the issues identified in the outreaches. These matters will inform the Ward Based Plans and the IDPs of the local municipalities and the District Municipality.

In a further effort to reach its constituency, the Cacadu DM held three Council meetings in its area of jurisdiction, namely in Graaff-Reinet, Jeffreys Bay and Grahamstown.

During the Growth and Development Summit processes, the Cacadu DM also made significant progress in reaching out to business organizations and other formalized associations, to further its development agenda. The Municipal Manager will further elaborate on this matter in his Executive Summary.

STRENGTHENING GOVERNANCE IN THE DISTRICT

In an effort to improve governance in the District, the Cacadu DM initiated a Good Governance Survey in four of its local municipalities. The four local municipalities that participated were Blue Crane Route, Kouga, Sundays River Valley and Koukamma. The survey will be conducted in the remaining five local municipalities in the next financial year.

The methodology for the research consisted of a survey of various stakeholders within the municipality, including municipal officials and Councillors, members of the general public, Ward Committees and organized structures within civil society (e.g. NGOs and CBOs). The survey used a standardized questionnaire covering various themes related to good governance, namely decision-making, transparency, public participation and consultation, disclosure, service delivery, corruption, and systems and structures. Results were then analysed to compare the different responses of the various stakeholders in terms of perceptions about good governance practices within the municipality. As a follow-up to the survey, a focus group meeting was convened, to which representatives from each stakeholder group interviewed in the survey were invited. The purpose of the focus group was to verify the survey findings and to obtain additional insights into key themes.

The detailed findings with recommendations, have been forwarded to the four local municipalities to consider and adopt.

Furthermore, during the period of review, all local municipalities in the District were assisted with the capacitation of Ward Committees, in order to fulfil their mandates.

CONCLUSION

The Municipal Manager's Executive Summary and other reports, indicate the various highlights and successes that we have made in the period of review.

There are still many challenges and difficulties, but we can be proud of what has been achieved in the 2006/07 financial year.

OVERVIEW OF THE MUNICIPALITY

The Cacadu District Municipality (CDM), DC10, is the largest (58 243 km²) of the six (6) District Municipalities in the Eastern Cape Province. The District is situated in the western portion of the Province, bordering the Western Cape, Northern Cape and two other District Municipalities in the Eastern Cape, namely Chris Hani District Municipality and Amathole District Municipality.

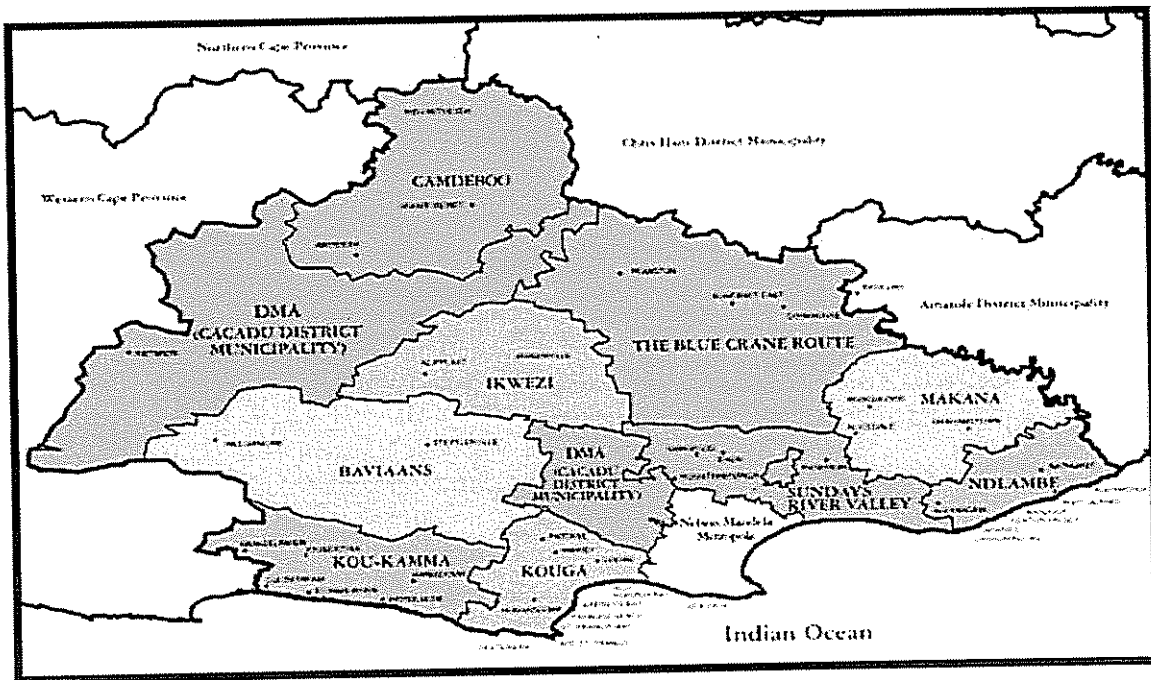
The District consists of nine (9) local municipalities (Category B Municipalities) and four other portions collectively known as the District Management Area (DMA). Two of the four areas are National Parks, namely the Addo National Elephant Park and the Tsitsikamma National Park. These parks are managed by the South African National Parks Board.

The District wholly borders the Nelson Mandela Metropolitan Municipality (NMMM), and consequently, land access to the NMMM is via the CDM. The nine local municipalities in CDM and their respective towns are:

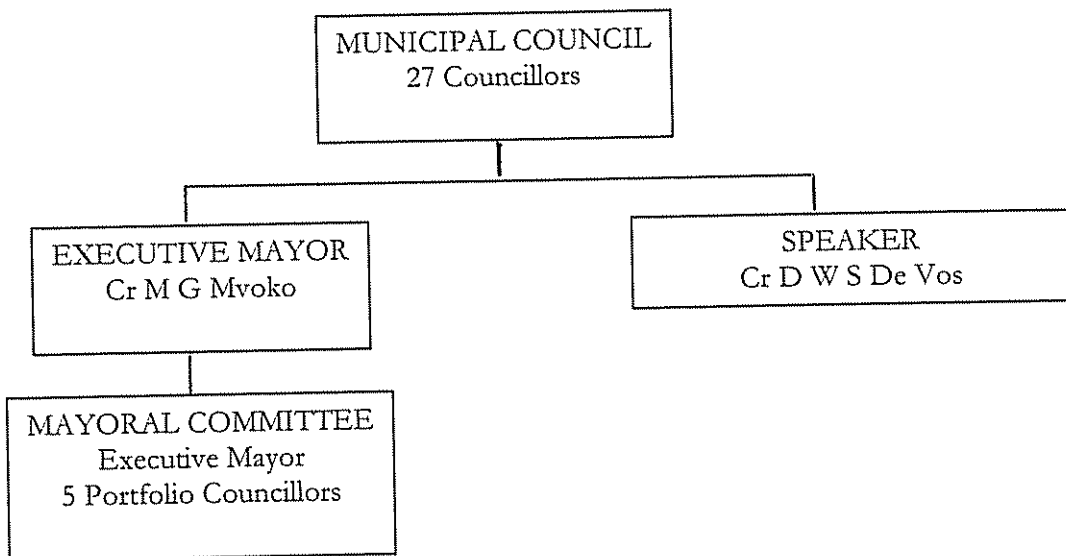
	MUNICIPALITY	MAJOR SETTLEMENTS / TOWNS
EC101	Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda
EC102	Blue Crane Route	Somerset-East, Cookhouse, Pearston
EC103	Ikwezi	Jansenville, Klipplaat, Waterford
EC104	Makana	Grahamstown, Alicedale, Riebeeck-East
EC105	Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria
EC106	Sundays River Valley	Kirkwood, Addo, Paterson
EC107	Baviaans	Willowmore, Steytlerville
EC108	Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie
EC109	Kou-Kamma	Joubertina, Kareedouw, Louterwater
DC10	Cacadu DMA	Rietbron, Wolwefontein, Voldeling, Glenconner

Cacadu District Municipality has the largest number of Category "B" Municipalities in the country.

GEOGRAPHIC AREA



COUNCIL AND EXECUTIVE STRUCTURE



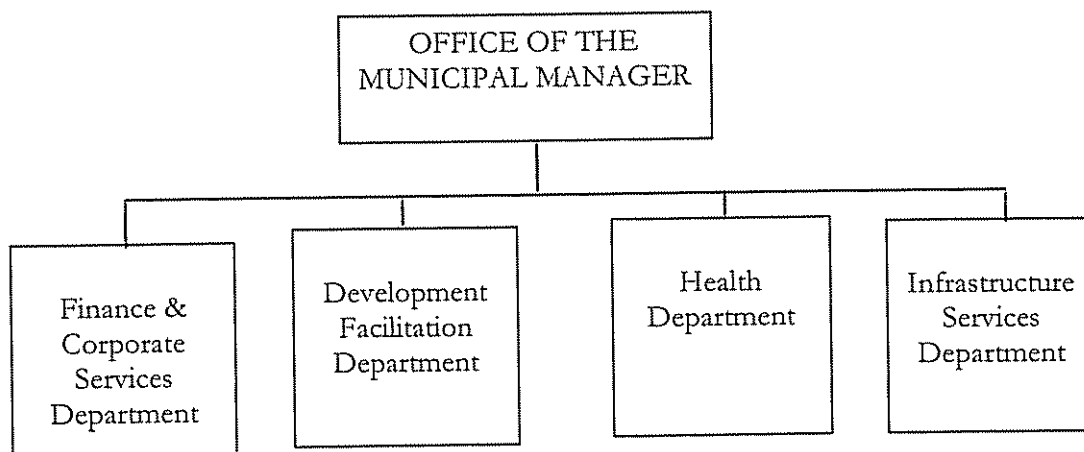
**PORTFOLIO COUNCILLORS AND
MEMBERS OF MAYORAL COMMITTEE**

Development Facilitation	Cr P Faxi
Infrastructure	Cr V Lwana
Corporate Services	Cr H Plaatjies
Finance	Cr M G Mvoko (Executive Mayor)
Health Services	Cr K Kekana
Office of the Executive Mayor and Municipal Manager	Cr N Pieters

MEMBERS OF THE COUNCIL AS AT 30 JUNE 2007

Mr D J Bezuidenhout
 Mr J Cawood
 Mr D S W de Vos
 Ms N V Faltein
 Mr P P Faxi
 Ms G Hawu
 Mr V G Jacobs
 Mr V S Jonas
 Mr C Jones-Phillipson
 Mrs K E Kekana
 Mr Z A Lose
 Mr V Lwana
 Mr Z Mantla
 Ms M Mateti
 Mr K M Mbolekwa
 Mr M G Mvoko
 Mr J M Nel
 Mr A L Nortje
 Ms N N Pieters
 Ms H L Plaatjies
 Mr M S Swepu
 Mr K M Tshume
 Ms N Vanda
 Mrs E C van Lingen
 Mr M G Whisson
 Mr O M Williams
 Mr M Wogane

ADMINISTRATIVE STRUCTURE



MUNICIPAL MANAGER

Mr D M (Ted) Pillay

DIRECTOR : FINANCE AND CORPORATE SERVICES

Mr D de Lange

DIRECTOR : INFRASTRUCTURE SERVICES

Mr L Nama

DIRECTOR : DEVELOPMENT FACILITATION (Post vacant from 1 January 2007)

Ms K Manzi

MANAGER : HEALTH SERVICES

Mrs X Sandi

GRADING OF LOCAL AUTHORITY

Grade 8

REGISTERED OFFICE

Standard Bank Building
32 Govan Mbeki Avenue
Port Elizabeth
6001

P O Box 318
Port Elizabeth
6000

Telephone Number
Fax Number

041 – 508 7111
041 – 508 7000

EXECUTIVE SUMMARY

The National Treasury guidelines require that the performance of a municipality be reported in functional areas. This Annual Report has been compiled in accordance with these guidelines.

An overview of each functional area is presented elsewhere in this Annual Report, together with a description of the activity. In addition, the strategic objectives of each function, as well as priorities and progress reports, key issues for the period under review, key performance indicators, together with targets and variances, are included.

Support to local municipalities will be highlighted in each functional area.

HEALTH ISSUES

Primary Health Care is a competency of the Provinces. The Cacadu District Municipality is one of the agents of the Eastern Cape Provincial Government in rendering primary health care in various parts of the District. It operates 18 fixed clinics, 11 satellite clinics, and also operates 26 mobile clinics (approximately 286 routes), with a staff complement of 148 employees.

The local municipalities in the Cacadu District collectively operate 30 fixed clinics and 3 satellite clinics, whilst the Province operates 3 set clinics.

One of the main challenges facing the District Municipality is the limited funding for Primary Health Care. A budget request of R20,1 million was made to the Province, but only R15,0 million was received for the year. The actual expenditure amounted to R16,5 million, which had to be funded by a surplus from the previous financial year. This limited funding puts a huge strain on the existing service. There has been increased patient numbers to the clinics, substantially increasing the patient : nurse ratio.

Another dilemma facing the service is the difficulty in recruiting suitably qualified personnel to work in rural areas, and remunerating them appropriately.

The Health MINMEC has already resolved that the service throughout the country will be provincialized. In the Eastern Cape, this process was originally set to be completed by 1 July 2007. Despite the Province setting new deadlines for this to be finalized, there has been very little progress in this regard. It is difficult to envisage when the process will be finalized. When it does eventually occur, the Municipality will ensure that the staff interests are protected.

Environmental Health is a function of the District Municipality. In the period of review, seven local municipalities rendered the service as agents of the District Municipality. An amount of R4,122 million was disbursed to local municipalities for this service. In addition, the District Municipality procured various capital assets for the local municipalities to improve the service. The District Municipality continues to render the service in Baviaans, Ikwezi and the DMA.

The anticipated move of certain environmental health practitioners from the Province to Cacadu has not been forthcoming and is being pursued by the Municipality.

In an effort to further improve the service, a Section 78 assessment will be conducted in the 2007/08 financial year. This will assist the Municipality to gauge the most effective mechanism for rendering the service, as well as the appropriate level of funding.

FINANCIAL PERFORMANCE

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The Statement of Financial Position (Balance Sheet) reflects that the Municipality is in a very favourable financial position. The net assets increased from R136,9 million to R161,4 million. The primary reason for this is an increase in the Accumulated Surplus by R17,8 million (with appropriations), as well as an increase of R7,3 million in the Revaluation Reserve.

The primary reason for the increase in the accumulated surplus is the revenue from RSC levies of R7 million (including prior year adjustment) which was not budgeted for, savings from unfilled positions and other operating expenditure.

The provision for long-term liabilities increased from R52,5 million to R54,2 million, to be in line with the actuarial valuation of (retrenched and retired) staff liabilities.

The Municipality started the period under review with conditional grants of R83,8 million. Current year receipts for conditional grants was R49,3 million, and interest of R3,1 million was accrued to the grants. Expenditure and transfers amounted to R55,1 million. The balance of R81,1 million is still unacceptably high, and strategies to expend these funds will be put into place. It must be mentioned that some of the funds were received late in the financial year, or held on behalf of some local municipalities.

The bulk of the provision and reserves are backed by cash. As the financial statements indicate, Municipality is still heavily dependent on interest income from investments.

The Municipality received an unqualified audit report. This is a tremendous achievement when one compares it with the previous financial year. The Municipality will continue to make every effort to comply with the various standards.

During the period under review, three local municipalities were assisted with the compilation of GAMAP / GRAP financial statements. Furthermore, all local municipalities were successfully assisted in setting up Audit Committees and performing the Internal Audit function.

The training of Budget and Treasury officials of local municipalities will continue to receive ongoing attention.

DEVELOPMENT FACILITATION

The Cacadu District Municipality has benefitted extensively from its partnerships with various organizations in supporting local municipalities. The Development Bank of Southern Africa (DBSA) and the German Aid Agency (GTZ) warrant special mention.

The Municipal Structures Act states very explicitly that a district municipality must seek to achieve the integrated, sustainable and equitable social and economic development of its area. As stated in the Executive Mayor's foreword, Cacadu DM has embarked on a development facilitation model to realize this objective.

Increasingly, District Municipalities are pivotal in promoting economic growth in the area that they are responsible for. There is consensus amongst the district's stakeholders that a District-Wide Economic Growth and Development Strategy, co-ordinated by Cacadu District Municipality, is critical if the district as a whole is to rise to the challenge of addressing the various developmental issues in the region, as well as to address the past planning and resource disparities.

During the period of review, Council adopted a Growth and Development Strategy with objectives aligned to the Provincial Growth and Development Plan, as well as National targets. The strategy, having been developed after extensive consultation with stakeholders, hinges on 5 pillars –

- Investing in Economic Infrastructure
- Promoting Sector Development
- Investing in Human Resources and Skills Development
- Forging of Regional Linkages, Partnerships and Networks
- Ensuring that proper Institutional Arrangements and Systems are in place

An Economic Growth and Development Summit was hosted by the Cacadu DM in April 2007. The event was honoured by the presence of the Minister of Trade and Investment, Mr M Mphahlwa, and several Members of the Executive Council of the Eastern Cape Provincial Government, as well as other stakeholders.

A formal Summit Agreement was signed, whereby all stakeholders made specific commitments to grow the District Economy.

During the period under review, the District Municipality implemented several projects and also assisted its local municipalities to initiate projects in their respective areas, as well as in the DMA. In addition, the Provincial Department of Economic Development and Environmental Affairs channeled funding through the District Municipality for the

implementation of projects. The District Municipality not only has to account for the funding, but also to ensure the success of the projects.

There are two Development Agencies in the District. The Kouga Development Agency was set up in the previous year in conjunction with Kouga Municipality. The purpose of the Agency is to drive an eco-tourism initiative in the Jeffreys Bay area. The land for the development has been secured, and the Master Plan for the development has been adopted. Calls for expression of interest will be received in the next financial year. During the period of review, the Municipality has assisted the Blue Crane Route Municipality to re-constitute the Blue Crane Development Agency, in line with the relevant legislation. The Cacadu District Municipality is grateful to the IDC for the majority of the financing of both agencies.

The Municipality is also close to finalizing a partnership with SEDA to set up offices in the District, to assist with the development and support of SMMEs. During the period of review, an agreement was signed with the Provincial Government to host the Thina Sinako LED Support Programme. It is envisaged that this programme will assist the local municipalities, as well as the District Municipality, with institutional support and project financing.

Tourism is one of the main economic drivers of the District economy. The Cacadu brand was launched during the year. During the period of review, an extensive marketing and publicity campaign was embarked on, promoting the region and its products. There are already positive results in the increased number of visitors to the District.

Very little attention unfortunately has been devoted to tourism development by the District Municipality itself. The Municipality has applied to the DBSA for the development of Tourism Sector Plans for five local municipalities, as well as to compile the Master Plan for the District. (The remaining four local municipalities already have tourism sector plans). It is anticipated that approval will be received in the 2007/08 financial year.

The Municipality has taken a decision to perform the tourism development and marketing function in-house, in future. This will commence in the 2007/08 financial year.

During the period of review, the Municipality has engaged with the Nelson Mandela Metro with regards to a joint marketing campaign, as well as to position the District to benefit from World Cup 2010. These matters will be further pursued in the coming months.

The Cacadu District Municipality will continue to engage with its stakeholders to ensure that the Economic Growth and Development Strategy is successfully implemented.

Capacity building and support to local municipalities is the corner-stone of the District Municipality's responsibility. All local municipalities were visited by the Mayoral Committee and Management. The needs of the local municipalities were identified, and a Capacity Building Strategy has been developed and adopted. Whilst all local municipalities in the District will benefit from the Strategy, the focus initially will be on assisting the three least capacitated institutions.

The Municipality successfully assisted all local municipalities to compile new by-laws. Previous by-laws were repealed. In the 2007/08 period, a process will commence to publicize the by-laws, so that all communities are well informed.

Furthermore, Ward Committees in all local municipalities and public participation structures were trained on their roles and responsibilities. In addition, a Good Governance Survey was carried out in four local municipal areas.

All local municipalities were connected to the LG Net, through the initiative of the DBSA. This enables all local municipalities to have internet and email access.

In the period of review, several of the areas in the District were affected by severe flooding. Through the efforts of Municipality, funding to rehabilitate the areas was secured. However, only R11,4 million was received in 2006/07 financial year. The majority of the funding of R176 million will be received in 2007/08 financial year.

During the period of review, a risk assessment of all possible hazards was done in the District. Strategies will be embarked on to mitigate disasters in the areas. All municipalities benefitted from training, awareness campaigns, and financial assistance, with regards to disaster management and fire fighting services.

INFRASTRUCTURE DEVELOPMENT

In view of the manner in which the powers and functions of Local Government in the District are structured, local municipalities in the Cacadu District are primarily responsible for technical and infrastructure services.

This does not mean that the District Municipality will not implement infrastructure projects, but it will only do so where it is requested by other spheres of Government, or by the local municipalities themselves. An example of this is that during the 2007/08 financial year, the Municipality will be rehabilitating many of the Provincial Roads, as a result of the floods that affected the District. Obviously the District Municipality is responsible for all services in the DMA.

This, in essence, has seen a shift of emphasis within the institution. The Cacadu District Municipality is now a facilitator of infrastructure investment. During the period of review, this has been realized through the lobbying efforts to increase the Municipal Infrastructure Grant (MIG) allocation to local municipalities. The District Municipality has also negotiated with funding institutions on behalf of local municipalities, as well as supported local municipalities in their negotiations with sector departments for project finance. In addition, a District-Wide Infrastructure Forum has been set up to co-ordinate development matters.

Notwithstanding the shift of emphasis, many water and sanitation projects that were initiated during the prior years were completed in 2006/07, and some of the local municipalities were assisted with project finance by the District Municipality. The Project Management Unit has assisted local municipalities with project implementation.

With regard to housing, there has been substantial progress towards the completion and finalization of many outstanding housing projects. Furthermore, the Municipality has been successful in sourcing additional funding to complete certain housing developments. Notwithstanding this, many of the housing projects are still plagued with problems, and strategies are being put into place to address this.

With regard to Transport, the Municipality has successfully secured an amount of R2,7 million to upgrade transport facilities. Furthermore, all local transport forums in the local municipalities were supported. The Cacadu District Municipality continues to lobby the Provincial Roads Department to improve the roads infrastructure in the District.

The Cacadu DM has also completed several sports facilities on behalf of the local municipalities.

All local municipalities were assisted to enhance existing Water Services Development Plans. A Section 78 (1) assessment has been completed for water provision in all areas. The response of local municipalities is awaited, to take the process forward. Furthermore, the Backlog Assessment that was done in the previous year has been updated and serves as a useful tool in assessing the needs and progress towards eradicating backlogs in the District.

The shift of emphasis also saw the Cacadu DM focus on regional issues. Planning for the District is co-ordinated by the Planning Unit. Furthermore, the Spatial Development Framework provides the basis for development in the District.

All local municipalities were assisted to compile their IDPs, whilst some of them received hands-on support. A Project Prioritization tool has been developed and made available to local municipalities, to assist them in prioritizing projects for budgetary purposes. Furthermore, some of the local municipalities received funding and assistance to deal with spatial planning, valuation of properties, as well as zoning.

Many of the local municipalities were assisted with regards to cemetery establishment, which is a very onerous process. Progress was also made with establishment of cemeteries in most of the DMA settlements.

The Capacity Building Strategy, which was compiled in the review period, serves as a good basis for Infrastructure Master Planning and Strategic Spatial Planning for the next financial year.

BUILDING A WINNING TEAM

The total staff complement of the Cacadu DM stood at 273 employees, of which 204 are females (75%). Historically disadvantaged individuals constitute 97% of the total workforce.

At Head of Department level, females comprise 40%, whilst historically disadvantaged persons make up 80%.

A Skills Development Plan is in place, and the DM continues to invest in the training and development of its employees in line with the plan.

The Cacadu DM has substantially financed the job evaluation programme for all positions in the District Municipality and the local municipalities to be evaluated. Whilst some of the results have been received, these cannot be implemented as there are many outstanding matters still to be finalized by the SALGBC.

An organizational culture survey has been conducted, and strategies are being put into place to address the concerns of the employees.

Substantial progress has been made with regards to performance management. It is envisaged that all employees will be on a performance management system from 1 July 2007.

CHAPTER 2

PERFORMANCE HIGHLIGHTS

SERVICES PROVIDED AND HIGHLIGHTS FOR 2006/2007

For statistical information on number of services installed/projects completed, see the Functional Area Services Delivery reports contained in Chapter 5.

1. Development Facilitation/Economic Development

During the year under review, a number of strategic workshops were held to re-assess the successes and challenges of the development facilitation model and to identify whether the municipality was optimally structured in order to deliver on its mandate. This led to a review of the institutional arrangements and the adoption of new development priorities for the 2007/2008 financial year.

Economic Development was identified as one of the key development priorities for the Cacadu District Municipality in terms of its Integrated Development Plan for the five year period commencing 1 July 2007. In order to achieve this objective, an Economic Development Department, which will be responsible for the following functions, has been established with effect from 1 July 2007:

- Tourism Marketing, Development and Management;
- Trade and Investment Promotion;
- Municipal Entities (Development Agencies);
- Agricultural Development;
- Environmental Management;
- Heritage Management;
- SMME, BEE;
- Capacity Building and Support

Growth and Development Summit

The CDM hosted its Economic Growth and Development Summit in April 2007 at Mentor's Kraal, Jeffreys Bay in Kouga Local Municipality. The event was attended by over 200 delegates and was honoured by the presence of the Minister of the Department of Trade and Investment, Mr T Mphahlela and Honourable MECs for Economic Development and Environmental Affairs, Mr Sogoni, and Agriculture, Mr G Nkwinti. The Summit Agreement was signed by six signatories representing 32 organisations from the private and public sectors and organized labour, all of which made specific commitments in the agreement towards growing the economy of the District.

2. Capacity Building

Capacity Building and Support to the nine Local Municipalities in the District is of primary importance to CDM and is one of its main focus areas.

A Capacity Building Strategy for the next five years was developed based on data regarding the capacity and state of affairs in each local municipality which was collected from various sources.

A Mayoral Outreach to local municipalities which was conducted in June/July 2006 was also a major source of information on which the strategy has been based.

The main aim of the Capacity Building Strategy is to build in house capacity in local municipalities in the District and to support them so that they can perform their functions and strengthen their institutional and corporate governance systems.

The Capacity Building Strategy has identified the 3 local municipalities which need the most assistance for priority interventions. The main focus will initially be on these 3 local municipalities, but there will also be district wide capacity building projects on specific issues, which will include all local municipalities.

Projects identified in the Capacity Building Strategy have been included in the IDP in terms of the relevant development priority.

3. Health Services

The District Municipality performs a Primary Health Care function as an agent of the Provincial Government.

Since 1 July 2004, the District Municipality has been responsible for the Municipal (Environmental) Health function throughout the District.

The District Municipality is also involved in the following HIV/Aids initiatives and special projects:

- Home Based Care programme
- Aids Awareness Programmes
- Voluntary Counselling and Testing
- Circumcision programmes
- Payment of stipends for volunteers who assist at the clinics and with Home Based Care
- Capacity building programmes for NGO's

A directive was received from National Government that the Primary Health Care function would be transferred to the Provincial Health Department from 1 July 2007. However, due to various administrative delays, this date has been extended.

4. Infrastructure Services

The main role of the Infrastructure Services Department of the District Municipality is planning for infrastructure development throughout the District. With the adoption of the new development priorities and the resultant restructuring process, the function of Integrated Development Planning as well as the functions previously performed by the PIMS Section were transferred to the Infrastructure Services Department's Planning Division.

The Municipality also physically renders Infrastructure Services on behalf of or in support of local municipalities' development projects, and on its own behalf in the District Management Area. These services include construction of housing schemes and services thereto, provision of water and sanitation, road transport planning, and construction and upgrading of various community facilities.

5. Support Services

The Municipality has a Finance and Corporate Services Department which provides financial, legal and administrative services to the Council and Executive as well as other departments in the organisation. One of the major governance projects undertaken during the year was the formulation of by-laws for the District and Local municipalities as well as for the District Management Area.

6. District Management Area (DMA)

The District Municipality is the local authority for the DMA, and is therefore directly responsible for provision of all services to communities in this area.

The DMA Committee continued with regular meetings during the year under review. This regular, direct communication between community representatives and councillors and officials of the Municipality is invaluable in identifying the service delivery gaps and problems, thus bringing about ongoing improvement to the services the Municipality is rendering in this area.

The LED strategy adopted for the DMA focusses on a multi-dimensional approach towards the development of the DMA community, which will include capacity building and skills development to access employment opportunities, with aspects of social upliftment and life-skills programmes forming part of such initiatives.

In terms of the Municipality's indigent policy, households unable to afford the basic level of service receive a monthly subsidy of approximately R 110 covering the following:

- 6 kilolitres of water;
- refuse removal;
- sewage removal charges; and
- sanitation charges.

MANDATORY PERFORMANCE MEASURES

In terms of section 43 of the Local Government: Municipal Systems Act, the Minister for Local Government has prescribed general key performance indicators (KPI's). Every municipality is required to include these indicators in their IDPs and report on these KPIs.

Water

Historically high levels of household water security, made possible by infrastructure investments from the former Western District Council continue to characterise Cacadu household water access. In fact the levels of household access to water on site has increased consistently and significantly across all local municipal areas.

Every local municipality in Cacadu scores well above the provincial norm for households who have water on site (37% of households in 2001 compared to 42% in 2006) with the district average twice that of the province (75% in 2001 and 86% in 2006).

Ndlambe scored the lowest levels of households who access water on site (62% in 2001 and 69% in 2006) but this is still way above the provincial average. The number of households relying on natural water sources in Cacadu is low with Ndlambe the only local municipality out of character with the rest of the district (8% in 2006).

	Water on site		Community Stand		Borehole/tank		Natural water/dam		water vendor/other	
	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
	%	%	%	%	%	%	%	%	%	%
Eastern Cape	37.4	41.8	25.3	25.1	4.0	3.8	31.4	28	1.9	1.4
Cacadu DC	74.7	85.8	17.9	10.0	3.1	1.4	2.8	1.4	1.5	1.3
Camdeboo	91.0	98.4	8.2	1.6	0.2	0.0	0.2	0.0	0.4	0.0
Blue Crane	76.8	100.0	13.4	0.0	3.2	0.0	4.4	0.0	2.2	0.0
Ikwezi	91.0	83.1	7.6	0.0	0.5	12.9	0.2	0.0	0.7	4.0
Makana	76.2	76.5	19.0	16.5	2.3	2.5	1.7	1.6	0.9	2.9
Ndlambe	62.1	69.2	27.3	19.7	5.6	0.7	3.1	8.3	1.8	2.2
Sunday's River Valley	61.8	86.6	17.6	13.4	9.4	0.0	7.4	0.0	3.8	0.0
Baviaans	86.1	90.6	8.9	0.0	2.0	7.2	2.6	0.0	0.5	2.1
Kouga	75.2	83.6	22.4	15.3	0.4	0.0	0.8	0.0	1.1	1.1
Kou-Kamma	77.0	93.8	12.5	6.2	3.9	0.0	5.3	0.0	1.3	0.0
ECDMA10	73.0	79.4	24.3	8.3	1.6	8.2	0.9	4.1	0.1	0.0

Source: SSA 2001 and RSS 2006

Sanitation

Although households in all local municipal areas in Cacadu are above the provincial average in terms of formal household sanitation, the levels between local municipal areas are extremely uneven suggesting that targeted sanitation investments in areas of greatest need should be prioritized. The proportion of households in Cacadu who report no formal household sanitation is generally way below the provincial norm (22% in 2006). The exceptions are Ndlambe (32%) and Ikwezi (21%) the former recording higher levels than the provincial norm. These would seem to be priority areas for household sanitation. Cacadu has amongst the highest levels of households in the province who still rely on buckets for household sanitation. The highest levels are recorded in Baviaans (48%), Blue Crane route (26%), Ikwezi (22%), Makana (18%) and Ndlambe (17%), with the remaining areas also recording significant levels.

	Flush toilet (connected to sewerage system)		Flush toilet (with septic tank)		Chemical toilet		Pit latrine with ventilation (VIP)		Pit latrine without ventilation		Bucket latrine		None	
	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Eastern Cape	30.9	31.1	2.2	1.3	2.0	0.6	5.6	7.2	23.1	33.9	5.6	4.0	30.6	21.8
Cacadu DC	40.3	67.8	11.1	3.5	0.8	0.0	5.3	0.1	16.2	4.9	14.3	14.5	12.0	9.3
Camdeboo	68.7	85.8	7.0	0.8	0.1	0.0	4.3	0.0	3.2	9.4	11.2	0.6	5.5	3.4
Blue Crane	47.1	74.2	4.1	0.0	2.5	0.0	1.4	0.0	8.0	0.0	20.1	25.8	16.7	0.0
Ikwezi	17.7	66.7	11.4	0.0	0.1	0.0	4.8	0.0	2.8	11.6	48.8	21.7	14.5	0.0
Makana	34.1	57.1	2.9	1.6	0.2	0.0	7.9	0.0	13.6	2.9	29.7	17.5	11.6	20.8
Ndlambe	24.3	44.7	27.3	4.7	0.5	0.0	5.8	0.7	28.0	0.7	0.6	17.0	13.6	32.2
Sunday's River Valley	24.0	58.8	4.8	0.0	1.6	0.0	8.7	0.0	40.7	28.5	6.5	12.7	13.7	0.0
Baviaans	30.3	34.8	21.7	14.5	0.4	0.0	5.8	0.0	11.4	0.0	19.0	47.5	11.3	3.2
Kouga	51.8	75.2	10.8	7.9	0.7	0.0	2.5	0.0	9.8	1.5	13.3	11.8	11.0	3.5
Kou-Kamma	50.6	88.8	12.3	5.0	1.3	0.0	5.1	0.0	15.5	0.0	5.5	6.2	9.8	0.0
ECDMA10	13.9	29.4	21.6	20.0	0.1	1.4	17.3	8.3	18.3	22.7	4.1	1.4	24.7	16.7

Electricity

Household access to electricity for the local municipal areas in Cacadu is widespread with a consistently high proportion of households reporting access to electricity at least for lighting. In 2006 some 83% of households in Cacadu reported using electricity at least for lighting. Over the period 2001 - 2006 a full 11% of households in Cacadu were connected to the grid. Challenges associated with greater access to the grid for household energy in Cacadu are generally associated with household rather than community connectedness to the grid. All the main urban centres in Cacadu are clearly connected to the grid.

	Electricity		Gas		Paraffin		Candles		Solar and other	
	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006	Census 2001	RSS 2006
	%	%	%	%	%	%	%	%	%	%
Eastern Cape	49.7	67.1	0.3	0.4	23.3	14.0	25.9	18.3	0.8	0.2
Cacadu DC	71.9	82.6	0.4	0.5	19.3	11.7	7.7	5.2	0.6	0.1
Camdeboo	84.8	92.7	0.1	2.7	5.8	3.0	8.8	1.6	0.5	0.0
Blue Crane	65.0	95.0	0.3	0.9	22.5	2.1	11.3	2.1	0.8	0.0
Ikwezi	72.2	77.9	0.3	0.0	22.7	18.1	4.1	4.0	0.8	0.0
Makana	73.4	72.0	0.7	0.0	23.4	17.2	2.0	10.8	0.5	0.0
Ndlambe	66.6	80.1	0.4	0.0	29.1	8.9	3.4	10.3	0.4	0.7
Sunday's River Valley	65.7	78.6	0.2	0.0	28.2	18.7	5.3	2.7	0.7	0.0
Baviaans	69.3	73.1	0.4	0.0	16.8	21.7	12.2	5.3	1.4	0.0
Kouga	76.2	82.0	0.2	0.7	14.9	15.1	8.4	2.2	0.3	0.0
Kou-Kamma	76.2	87.5	0.3	0.0	4.6	11.2	18.5	1.2	0.5	0.0
ECDMA10	44.3	60.0	0.9	1.4	26.7	31.6	25.7	7.0	2.5	0.0

Source: SSA 2001 and RSS 2006

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NOTE: THE FOLLOWING FIGURES ARE SUPPLIED FROM THE CDM'S RECORDS FOR THE PERIOD UNDER REVIEW

% of households earning less than R1 720 per month with access to free basic services	51 % Note: This relates to free water in the DMA only
% of municipality's capital budget actually spent on capital projects identified in the IDP	0% Note: MIG projects carried out in local municipalities only and dealt with on operating budget of CDM
Number of jobs created through the municipality's local economic development initiatives including capital projects	221
Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality approved employment equity plan	15 of the 18 officials currently employed in the three highest levels of management are from the EE target groups
% of a municipality's budget actually spent on implementing its workplace skills plan	$416\,461 / 388\,144\,641 * 100 = 0.1 \%$ Note: the budget has been inflated by an allocation of R 187 m for flood relief.
Total outstanding debtors divided by annual revenue actually received for services	$936\,990 / 211\,990 = 4.42$
Cash available and investments at 30 June, 2007 divided by monthly fixed operating expenditure	$248\,403\,947 / 5\,084\,001 = 48.86$

CHAPTER 3

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

ORGANISATIONAL STRUCTURE

The Municipality's organizational structure consists of the following four departments under the umbrella of the Municipal Manager's Office:

- Development Facilitation
- Finance and Corporate Services
- Infrastructure Services
- Health Services

The Municipal Manager's Office holds the accountability and responsibility for the effective, efficient and sound financial administration of the CDM. It also provides executive support to the political structure through administration of special programmes (Youth Development, Gender and Women Empowerment, HIV & AIDS); Disaster Management, Performance Management and Capacity Building to Local Municipalities.

The total number of staff employed in each of the four departments on the organizational structure is as follows:

DEPARTMENT	NUMBER OF EMPLOYEES
Office of the Municipal Manager	29
Development Facilitation	10
Finance and Corporate Services	34
Infrastructure Services	20
DMA: Rietbron	11
SUB-TOTAL - CDM	104
Health Services: <u>AGENCY FUNCTION</u>	169
TOTAL	273

EMPLOYEE RELATED COSTS

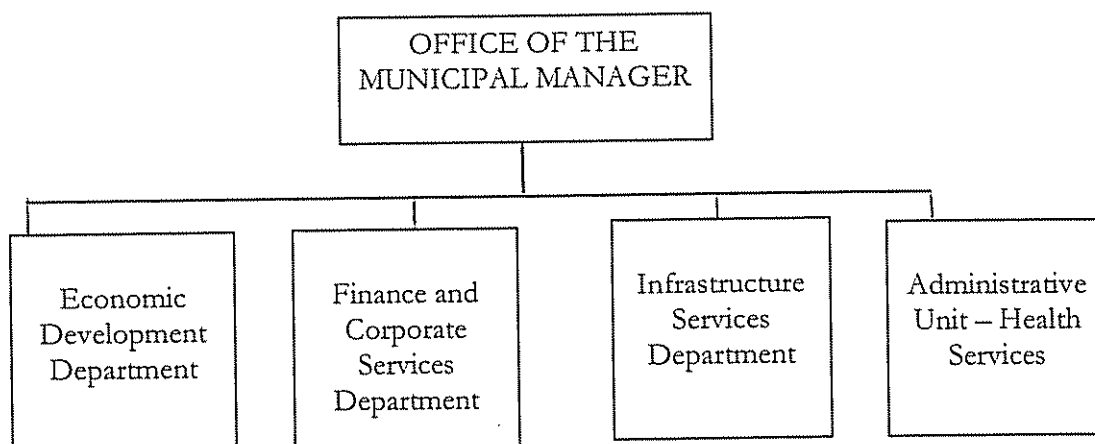
	2004/2005	2005/2006	2006/2007
	R	R	R
Actual	19 910 187	23 290 009	24 799 959
Salary budget	24 334 400	26 835 600	29 392 562
Total budget	56 144 800	155 933 979	390 340 441
	35,46%	14,94%	6,35%

TOTAL AMOUNT OWED TO THE MUNICIPALITY BY STAFF - R5 576

VARIOUS INITIATIVES RELATING TO EMPLOYMENT ISSUES

The following initiatives relating to employment issues were successfully implemented in 2006/07 financial year::

- The successes and challenges of the development facilitation model were reviewed. The Municipality's service menu and institutional arrangements were also reviewed in order to improve and maximize its service delivery impact. The new high level organizational arrangements to be implemented on 1 July 2007 are detailed below:



- The Workplace Skills Plan for 2007/8 financial year has been adopted and the implementation report for 2006/7 has been submitted to LGWSETA as required by Skills Development Act

SKILLS DEVELOPMENT PROGRESS REPORT

The Workplace Skills Plan for the 2006/7 financial year has been adopted and the implementation report for 2005/6 has been submitted to LGWSETA as required by the Skills Development Act

For the period July 2006 to June 2007, the following progress has been made with regard to skills development as projected by the Workplace Skills Plan:

Training conducted

Assessors, Coaches & Mentors - LGSETA
 Municipal Management Skills – Rhodes University
 Contract Management – National Treasury
 Records Management – DSRAC, EC
 Computer – Addskills
 Complex Procurement & Vendor Management – Lisho Events Management Forum

Courses attended by CDM councilors & employees	Total
Assessors, Coaches & Mentors	2
Complex Procurement & Vendor Management	1
Computer	7
Contract Management	3
Municipal Management	3
Records Management	2
Grand Total	18

Courses attended by employees in local municipalities	Total
Municipal Management Skills	35
Records Management	14

The total number of participants trained in the past three months is 67, with 18 coming from CDM and 49 from local municipalities.

Challenges

Councillors and staff in their busy schedule find it difficult to prioritize training matters and therefore there is never 100% attendance on courses.

The status of training Committees in the District is also a matter of concern. A workshop is due to be held to identify and address the problems which lead to lack of attendance at training committee meetings.

HR POLICIES

The following HR policy was reviewed :

- HIV and Aids Workplace Policy

The following HR policies are still under review:

- Student Training and Critical Skills
- Experiential Training
- Recruitment and Retention Strategy : Scarce Skills

EMPLOYER/EMPLOYEE RELATIONS

The CDM and organized labour generally continued with their spirit of mutual respect and co-operation during the period under review.

The Local Labour Forum, a committee comprising of representatives from the employer and employee components which deals with human resources related matters, is operating well. Of twelve meetings scheduled for the year only three were cancelled due to insufficient items submitted. All recommendations emanating from this forum are referred to Council for approval and implementation.

EMPLOYMENT EQUITY

The following is the Municipality's Employment Equity Profile as at 30 June 2007. A key driver behind the staff appointment process is ensuring that the staff composition will ultimately reflect the demographics of the District.

CACADU DUSTRICT MUNICIPALITY EMPLOYMENT EQUITY PROFILE-OCCUPATIONAL LEVELS
(RACE & GENDER) 30 JUNE 2007

Occupational Levels	MALES						FEMALES						TOTAL EE DESIGNATED GROUPS						TOTAL			
	BLACKS			WHITES			BLACKS			WHITES			DESIGNATED GROUPS			WHITES			NO	% OF TOTAL	NO	% OF TOTAL
	NO	% OF TOTAL	NO	% OF TOTAL	NO	% OF TOTAL	NO	% OF TOTAL	NO	% OF TOTAL	NO	% OF TOTAL	NO	% OF TOTAL	NO	% OF TOTAL						
Top management	2	40	1	20	2	40	0	0	0	0	4	80	1	20	5	2						
Senior management	7	54	2	15	3	23	1	8	11	85	11	85	2	15	13	5						
Professionally qualified and experienced specialists and mid-management	10	9	3	3	59	51	44	38	113	97	113	97	3	3	116	41						
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	14	29	3	6	28	58	3	6	45	94	45	94	3	6	48	18						
Semi-skilled and discretionary decision making	10	23	0	0	33	77	0	0	43	100	43	100	0	0	43	16						
Unskilled and defined decision making	17	35	0	0	31	65	0	0	48	100	48	100	0	0	48	18						
TOTAL	60	23	9	3	156	57	48	18	264	97	264	97	9	3	273	100						

CHAPTER 4**AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007**

	Note	2007 R	2006 R
Net Assets		161,400,429	136,897,553
Capital Replacement Reserve	2	47,306,735	47,966,667
Revaluation Reserve	2	45,860,623	38,516,658
Government Grant Reserve	2	1,793,799	1,758,248
Accumulated Surplus		66,439,272	48,655,980
Non-current Liabilities		69,582,785	68,420,761
Long-term Liabilities	3	15,382,785	15,920,761
Provisions	3	54,200,000	52,500,000
Current Liabilities		84,461,687	90,039,815
Trade and Other Payables	4	17,849,618	20,766,158
Short-term Portion of Deferred Income	3	66,145,861	68,821,846
Short-term Portion of Long Term Liabilities	3	466,208	451,811
TOTAL NET ASSETS AND LIABILITIES		<u>315,444,901</u>	<u>295,358,129</u>

ASSETS

Non-Current Assets		62,470,595	63,281,152
Property, Plant And Equipment	6	54,490,663	49,205,632
Long-term Receivables	7	7,979,932	14,075,520
Current Assets		252,974,306	232,076,977
Inventory	9	1,105,000	-
Trade and Other Receivables	10	3,304,135	10,457,481
Short-term Portion of Long-term Receivables	7	143,504	162,320
Deposits	11	17,720	15,130
Cash and Cash Equivalents	12	248,403,947	221,442,046
TOTAL ASSETS		<u>315,444,901</u>	<u>295,358,129</u>

CHAPTER 4**AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2007**

	Note	2007 R	2006 R	
Net Assets		161,400,429	136,897,553	73,593,764
Capital Replacement Reserve	2	47,306,735	47,966,667	48,752,580
Revaluation Reserve	2	45,860,623	38,516,658	
Government Grant Reserve	2	1,793,799	1,758,248	1,916,824
Accumulated Surplus		66,439,272	48,655,980	22,924,360
Non-current Liabilities		69,582,785	68,420,761	52,112,017
Long-term Liabilities	3	15,382,785	15,920,761	1212017
Provisions	3	54,200,000	52,500,000	50900000
Current Liabilities		84,461,687	90,039,815	128,873,504
Trade and Other Payables	4	17,849,618	20,766,158	29846179
Short-term Portion of Deferred Income	3	66,145,861	68,821,846	98663793
Short-term Portion of Long Term Liabilities	3	466,208	451,811	363532
TOTAL NET ASSETS AND LIABILITIES		<u>315,444,901</u>	<u>295,358,129</u>	<u>254,579,285</u>

ASSETS

Non-Current Assets		62,470,595	63,281,152	12,046,628
Property, Plant And Equipment	6	54,490,663	49,205,632	5487920
Long-term Receivables	7	7,979,932	14,075,520	6558708
Current Assets		252,974,306	232,076,977	242,532,657
Inventory	9	1,105,000	-	
Trade and Other Receivables	10	3,304,135	10,457,481	8123158
Short-term Portion of Long-term Receivables	7	143,504	162,320	171536
Deposits	11	17,720	15,130	15130
Cash and Cash Equivalents	12	248,403,947	221,442,046	234222833
TOTAL ASSETS		<u>315,444,901</u>	<u>295,358,129</u>	254,579,285

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

Budget		Note	Actual	
2006	2007		2007	2006
R	R		R	R
REVENUE				
19,200,000	-		2,181,404	22,900,422
10,800,000	-		753,013	13,791,270
871,000	800,000		811,120	734,275
10,350,000	16,200,000		17,131,133	13,421,124
350,400	106,500		375,003	574,610
80,000	40,000		88,536	90,892
94,768,617	326,766,564	13	98,003,962	89,346,338
87,100	87,300		196,716	152,535
30,000	30,000		27,134	27,168
19,396,862	36,618,137	14	4,836,961	9,250,572
-	-		12,218	-
155,933,979	380,648,501		124,417,199	150,289,206
EXPENDITURE				
26,835,600	29,392,562	15.1	24,799,959	22,820,535
2,883,100	3,194,300	15.2	3,646,310	2,686,994
-	1,500,000	10	(1,339,961)	1,282,585
-	-		54,913	61,022
1,400,000	235,000		331,565	1,316,223
478,300	741,900		2,044,764	1,920,154
4,717,600	1,512,050		1,379,367	2,660,978
-	-		190,730	55,662
3,176,000	3,147,300	17	2,270,223	2,673,135
82,070,017	278,158,740	19	46,124,699	70,417,655
34,974,162	70,997,044		26,345,095	24,152,392
-	1,200,000		1,700,000	1,600,000
-	-		23,071	28,461
1,456,300	261,545		43,191	38,731
155,933,979	390,340,441		107,613,929	131,714,525
-	(9,691,940)		16,803,271	18,574,680

Refer to Appendix E(1) for explanations of variances

(Note: the income statement has been prepared in accordance with GRAP 1 and the budget formats)

CACADU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Note	Capital Replacement reserve (CRR)	Revaluation Reserve	Government Grant Reserve	Unappropriated Surplus	Total
		R	R	R	R	R
Previously stated balance as at 30 June 2005		48,752,581	-	1,916,824	22,924,360	73,593,765
Adjustment to 2005		-	-	-	5,857,784	5,857,784
Implementation of GAMAP/GRAP						
Understatement of finance leases	3	-	-	-	(291,797)	(291,797)
Overstatement of accounts payable	4	-	-	-	5,128	5,128
Understatement of motor vehicles financed	6	-	-	-	267,204	267,204
Overstatement of accumulated depreciation	6	-	-	-	5,690,750	5,690,750
Understatement of Property Plant and Equipment	6	-	-	-	(382,760)	(382,760)
Understatement of accounts receivable(VAT)	10	-	-	-	564,849	564,849
Understatement of debtors	10	-	-	-	4,409	4,409
Restated balance at 30 June 2005		48,752,581	-	1,916,824	28,782,144	79,451,549
Change in policy to GAMAP/GRAP						
Fair value of Land and buildings at 1 July 2005	6	-	38,871,324	-	-	38,871,324
Restated net surplus for the year - 2006		(785,913)	(354,666)	(158,577)	19,873,836	18,574,680
Previously stated net surplus for the year - 2006		-	-	-	13,644,566	13,644,566
Capital purchases		-	-	349,378	(349,378)	-
PPE purchased from CRR		(785,913)	-	-	785,913	-
Offsetting of depreciation.		-	-	(507,955)	507,955	-
Adjustments:						
Overstatement of finance lease	3	-	-	-	93,464	93,464
Understatement 2006 accounts payable	4	-	-	-	(197,586)	(197,586)
Transfer to revaluation reserve	6	-	(354,666)	-	354,666	-
Understatement of depreciation	6	-	-	-	(935,993)	(935,993)
Understatement of fixed assets	6	-	-	-	17,561	17,561
Understatement of accounts receivable(VAT)	10	-	-	-	679,908	679,908
Overstatement of debtors	10	-	-	-	(968)	(968)
Understatement of Regional service levies - turnover	10,4	-	-	-	3,269,711	3,269,711
Understatement of Regional service levies - Remuneration	10,4	-	-	-	2,004,017	2,004,017
Restated at 30 June 2006		47,966,668	38,516,658	1,758,247	48,655,980	136,897,553
2007		(659,933)	7,343,965	35,552	17,783,292	24,502,876
Net Surplus for the year		-	-	-	16,803,271	16,803,271
Capital purchases		-	-	290,167	(290,167)	-
PPE purchased from CRR		(659,933)	-	-	659,933	-
Increase in Land and Buildings as result of revaluation at 30 June 2007	6	-	7,699,605	-	-	7,699,605
Transfer to revaluation reserve - offset of depreciation	6	-	(355,640)	-	355,640	-
Transfer from revaluation reserve - reverse depreciation		-	-	-	(324,100)	-
Transfer to Government Grant reserve		-	-	324,100	(324,100)	-
Offsetting of depreciation.		-	-	(578,715)	578,715	-
Balance at 30 June 2007		47,306,735	45,860,623	1,793,799	66,439,272	161,400,429

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from levies, government and other		132,910,505	148,946,529
Cash paid to suppliers and employees		125,432,807	152,177,649
Cash generated from/(utilised by) operations	20	7,477,698	(3,231,120)
Interest received		17,506,136	13,995,734
Interest paid		(190,730)	(55,662)
NET CASH FROM OPERATING ACTIVITIES		24,793,104	10,708,951
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment.		(950,100)	(1,137,415)
Proceeds on disposal of fixed assets.		204,057	200,196
(Increases)/Decreases in non-current loans		6,114,404	(7,507,596)
NET CASH INFLOW/(OUTFLOWS) FROM INVESTING ACTIVITIES		5,368,361	(8,444,815)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance leases repaid		(523,579)	(202,977)
(Decrease) in deferred income		(2,675,985)	(14,841,947)
NET CASH FROM FINANCING ACTIVITIES		(3,199,564)	(15,044,924)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12	26,961,900	(12,780,788)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		221,442,046	234,222,833
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		248,403,947	221,442,046

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1.1.1 Reporting Entity

The Cacadu District Municipality is a district municipality domiciled in South Africa. The registered address of the district municipality is 32 Govan Mbeki Avenue, Port Elizabeth. The Cacadu District Municipality is situated in the western portion of the Eastern Cape Province. It covers an area of 58 242 square kilometers. The area of the District Municipality includes nine local municipalities and four other portions collectively known as the District Management Areas (DMA's). The District Municipality's primary function is to support the development of a strong system of local government and service delivery across the district that meets the needs of our stakeholders – the Local Municipalities, residents, and the Private Sector.

1.1.2 Basis of preparation

(a) Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements. ¹	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GRAP 03	Accounting policies, changes in accounting estimates and errors	▪ Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31)
		▪ Changes in accounting policies (GRAP 3.14, 19)
GAMAP 12	Inventories	▪ The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
GAMAP 17	Property, plant and equipment	▪ Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)
		▪ Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77)
IAS 17 (AC 105)	Leases	▪ Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 40 (AC 135)	Investment property	▪ The entire standard to the extent that the property is accounted for in terms of GAMAP 17
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29,48-119 and 120A(c) - (q))

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for Land and Buildings, which are revalued.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 3 and 23 – provisions and contingencies

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

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

1.4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Property, plant and equipment, is stated at cost, less accumulated depreciation except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The “initial measurement” of property, plant and equipment, upon its “initial recognition” refers to property, plant and equipment’s value when the current basis of accounting was first adopted, i.e. 1 July 2005. The “cost” of property, plant and equipment upon “initial recognition” is either its cost or fair value at initial recognition. The “cost” of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The “cost” of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset’s fair value at 1 July 2005 if the asset was acquired prior to this date.

Where the cost of an item of property, plant and equipment was acquired in exchange for, a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets it was measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents transferred.

The cost of assets acquired in an exchange of similar assets, are measured at the carrying value of the asset given up and no profit or loss is recognized.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed.

When parts 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 and shall be depreciated according to their different useful life.

The gains and losses arising from the de-recognition of property, plant and equipment (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit when the item is derecognized.

The residual value and the useful life of each asset are reviewed annually.

The depreciation charge for each year is recognized in surplus and deficit unless it is included in the carrying amount of another asset.

Assets held under finance leases are depreciated over the life of the lease period.

Land and buildings will be re-valued every five years commencing from 1 July 2007.

Depreciation is calculated on cost less residual value, using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	50
Specialised vehicles	5-20
Electricity	5-30
Motor vehicles	5-10
Water	5-20
Office equipment	2-10
Sewerage	15-20
Furniture and fittings	7-15
Bins and containers	5-10
Specialised plant and equipment	5-15
Computer equipment	2-10

1.5 RESERVES

1.5.1 Capital Replacement Reserve (CRR)

Current year policy

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 to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR in accordance with council policy

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

Prior year policy

In order to finance the purchase of items of property, plant and equipment amounts are transferred out of the net surplus for a period (when needed) into the Capital Replacement Reserve (CRR). These transfers from the net surplus may only be made if they are backed by cash. The following provisions are set for the creation and utilisation of the CRR:

- The cash backing up the CRR is invested, in accordance with the investment policy of the Council, until it is utilised.
- Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR in accordance with council policy.
- The CRR may only be utilised for the purpose of purchasing items or construction of property, plant and equipment for the Council and may not be used for the maintenance of these items. If Council wants to utilise the CRR for expensing something other than PPE an amount equal to the expense must be transferred to net surplus.
- If a profit is made on the disposal of PPE other than land the profit on these assets sold is reflected in the statement of financial performance and is then transferred via the statement of changes in net assets to the CRR provided that it is backed by cash.
- Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

1.5.2 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded

items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

1.6 PROVISIONS

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If the municipality has an onerous contract, the present obligation under the contract shall be recognized and measured as a provision.

1.7 EMPLOYEE BENEFITS

Current year policy

1.7.1 Defined Contributions

Payments to defined contribution retirement benefit plans are charged to the Statement of financial performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

The Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Council for the remaining 70%. The medical aid contributions are charged to the Statement of financial performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

1.7.2 Defined Benefits

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to

the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of financial performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of financial performance.

1.7.3 Accrued Leave Pay

The leave pay accrual is calculated taking into account the municipality's leave pay accrual policy.

Prior year policy

Retirement Funds

The Council and its employees contribute to various Pension Funds and its councillors may contribute to the various Pension Funds. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

Current contributions are charged against the operating account of the Council at a percentage of the basic salary paid to employees, or allowances in the case of councillors.

Medical Aid: Continued Members

The Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Council for the remaining 70%.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The leave pay accrual is calculated taking into account the municipality's leave pay accrual policy.

1.8. LEASES

1.8.1 Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership, these are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in

accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.8.2 Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

1.9. INVESTMENTS

The Municipality classifies its investments in the following categories:

- loans and receivables and
- held-to-maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

1.9.1 Loans and receivables

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables, receivable within 12 months are included in trade and other receivables in the Statement of Financial Position.

1.9.2 Held-to-maturity investments

Held-to-maturity investments are fixed or determinable payments and fixed maturities that the municipality has the positive intention and ability to hold to maturity.

The accounting policy for financial instruments recognition, measurement and disclosures is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

1.10. INVENTORIES

Current year policy

Unsold properties are valued at the lower of cost and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Prior year policy

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.11. TRADE AND OTHER RECEIVABLES

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.12. TRADE AND OTHER PAYABLES

Current year policy

Trade and other payables are initially recognized at the cost of the present obligation of a past event.

Prior year policy

Trade creditors are stated at their nominal value.

1.13. REVENUE RECOGNITION

Revenue comprises the cost of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.13.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when consumed. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when consumed and accrued accordingly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined

per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Income collected on behalf of "principals" is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

1.13.2 Revenue from non-exchange transactions

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 proportion basis.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The accounting policy for conditional grants and receipts is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

1.15. VALUE ADDED TAX

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

1.16. SEGMENTAL INFORMATION

Current year policy

The principal segments have been identified on a primary basis by classification of the revenue and expenditure and on a secondary basis by the classification of service of operations. The secondary basis is representative of the internal structure for both budgeting and management purposes.

Prior year policy

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of revenue and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of revenue and expenditure.

1.17. GRANTS-IN-AID

The Council transfers money, from time to time to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act.

1.18. CASH AND CASH EQUIVALENTS

Current year policy

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

Prior year policy

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

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

1.19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in 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 detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statement, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.22. COMPARATIVE INFORMATION

1.22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.23. BORROWING COSTS

Borrowing costs are recognised as incurred and expensed in the Statement of Financial Performance.

1.24. CONSOLIDATION OF KOUGA DEVELOPMENT AGENCY (KDA)

The municipality has a 50% interest in The Kouga Development Agency (KDA). It exercises management control over the KDA. The accounting policy for consolidation of a subsidiary is in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

All the above accounting policy is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

1.25. EXEMPTIONS

Cacadu District Municipality applied for the following exemptions in accordance with Gazette no. 30013 of 27 June 2007.

GAMAP 9 Revenue

- The entire standard as far as it relates to measurement at fair value.

GAMAP 17 Property plant and equipment

- Impairment of non- cash generating assets [paragraphs 64-69 and 75(e)(v)-(vi)]
- Impairment of cash generation assets [paragraphs 63 and 75(e)(v) – (vi)]

IAS 36 (AC 128) Impairment of assets

- Entire standard

GAMAP 12 Inventories

- The entire standard to the extent that it relates to water stock that was not purchased by the municipality

IAS 39 (AC 133) Financial Instrument: Recognition and measurements

- Initially measuring financial assets and financial liabilities at fair value.(SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG65 of IAS 39/ AC 133)

IFRS 7 (AC 144) Financial Instruments: Disclosures

- Entire statement to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

IAS 20 (AC 134) Accounting for Government Grants and disclosures of government assistance