

DRAFT
Annual Report
2007/2008



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 2007/2008 financial year ushered in a new Integrated Development Plan (IDP) for the Municipality for the next five years. Although the IDP will be reviewed annually, the development priorities form the basis of the Municipality's strategy going forward.

We are confident that our development facilitation model is the best way to guide the business processes of the institution. The model has three complementary subsidiary roles:

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

Having this in mind, the Municipality's development priorities are: Infrastructure Investment, Support to Local Municipalities, Economic Development and Community Services. Due to the manner in which powers and functions are adjusted to local municipalities, the District Municipality will only focus on certain of the community services.

Our relationship with our local municipalities is crucial to ensure an integrated approach to development. Whilst most of the district-wide structures functioned effectively, there is a need to re-focus our efforts to maximize the value of these structures. Some of the municipalities in our District encountered certain problems and the District Municipality had to intervene to assist. As a result of our efforts, two of our municipalities were re-financed. We also had to assist some municipalities with direct service delivery.

Our primary focus as a District Municipality is on our local municipalities. The success of the District Municipality is measured by the effectiveness of the local municipalities. We have adopted a capacity building strategy that informs us where to focus our efforts to achieve the best results. We have also implemented district-wide projects that cut across all municipalities

This year the last round of Good Governance surveys in all our local municipalities were completed. This survey highlighted problems and proposed solutions to rectify these problems, and we hope the municipalities will implement them.

Our outreaches to communities in the District Management Area (DMA) during the period under review were extremely informative. These areas will be incorporated into local municipality areas by 2011, and the Cacadu DM will ensure that development in the areas will be brought up to an acceptable standard so they will not be a burden on the local municipalities.

We have also launched a district-wide newspaper to keep all our communities informed and updated on developments in the District.

We are grateful for the partnerships that we have, which are working well, particularly with the Development Bank of Southern Africa (DBSA) and GTZ, a German aid agency. Although some progress has been made, we have not fully realized the benefits of our partnerships with Cape Winelands and the Nelson Mandela Bay Metro.

There has been exceptional performance in many of our work areas during the year under review. The institution has excelled and was commended on many platforms. We were adjudicated as the best district municipality in the Eastern Cape and represented the Province at the national Vuna awards. We nevertheless encountered many obstacles during the year, and there are still many challenges. Our efforts to run an effective Primary Health Care Service have been hampered by inadequate funding by the Provincial Government. This is more fully elaborated upon in the Executive Summary by the Municipal Manager. We need to see a greater impetus on the economic development front in order to change the lives of the ordinary folk of this district and bring them a better standard of living. As an institution, we need to ensure that we improve our expenditure on conditional grants. We have set high standards for the institution, and we need to maintain these going forward.

This annual report gives an extensive overview of the successes, challenges and highlights of the District Municipality's performance during the year under review. I want to thank everyone who has played a role in the achievement of our targets during the year. The measures we have taken will definitely assist to improve and maintain our performance.

M G MVOKO
EXECUTIVE MAYOR

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.

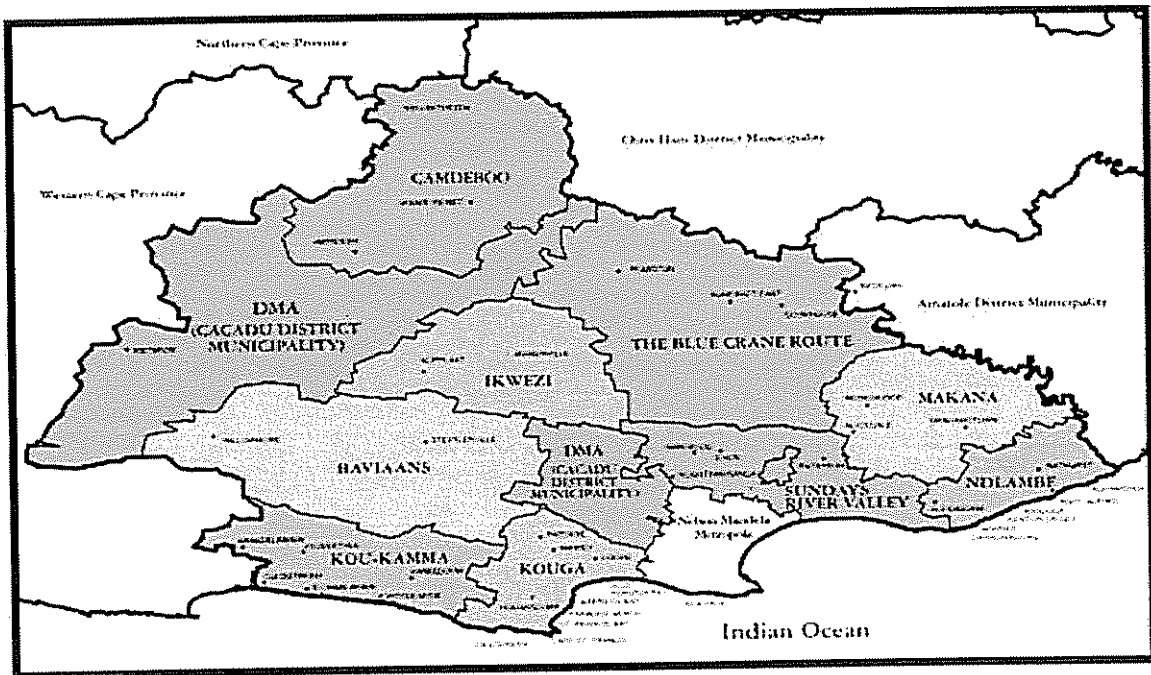
The District consists of nine (9) local municipalities (Category B Municipalities) and four other portions collectively known as the District Management Area (DMA). Two of the four areas are National Parks, namely the Addo National Elephant Park and the Tsitsikamma National Park. These parks are managed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

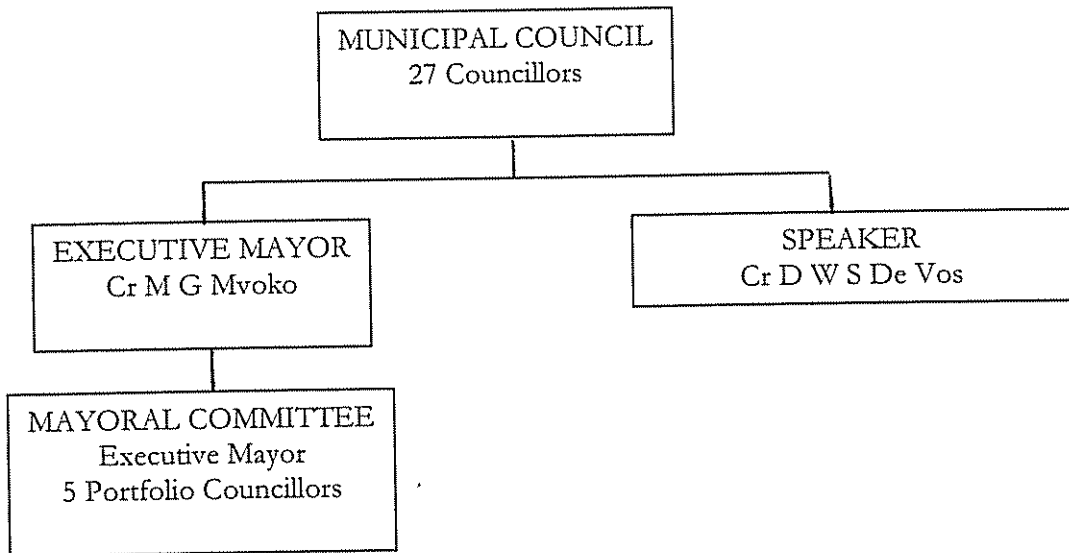
	MUNICIPALITY	MAJOR SETTLEMENTS / TOWNS
EC101	Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda
EC102	Blue Crane Route	Somerset-East, Cookhouse, Pearston
EC103	Ikhwezi	Jansenville, Klipplaat, Waterford
EC104	Makana	Grahamstown, Alicedale, Riebeeck-East
EC105	Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans 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, Vondeling, Glenconner, Kleinpoort, Miller

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

GEOGRAPHIC AREA



COUNCIL AND EXECUTIVE STRUCTURE



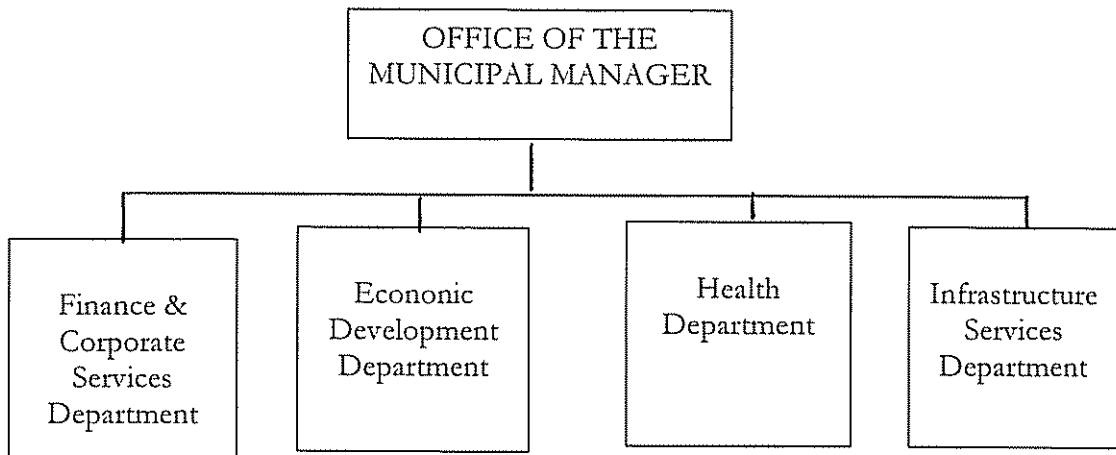
**PORTFOLIO COUNCILLORS AND
MEMBERS OF MAYORAL COMMITTEE**

Economic Development	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 2008

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 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 I Reid
 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 : ECONOMIC DEVELOPMENT

Ms M Mama

MANAGER : HEALTH SERVICES

Mrs X Sandi

GRADING OF LOCAL AUTHORITY

Grade 9

REGISTERED OFFICE

Standard Bank Building
32 Govan Mbeki Avenue
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6001

P O Box 318
Port Elizabeth
6000

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Fax Number

041 – 508 7111
041 – 508 7000

EXECUTIVE SUMMARY

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

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 the priorities, key performance indicators and targets are reflected. Furthermore, the progress that has been made, as well as the variances where applicable, are also included.

Support to local municipalities will be reflected in each of the functional areas.

COMMUNITY SERVICES

The Cacadu District Municipality renders the Primary Health Care function as an agent of the Provincial Government. The District Municipality is therefore directly dependent on the Provincial Government for the financing of the function.

At present, the District Municipality renders the service primarily in the smaller towns and in the rural parts of the district. It operates 18 fixed clinics, 11 satellite clinics and 26 mobile clinics, and has a staff complement of 140 employees. The nine local municipalities in the district, also as agents of the Province, collectively operate 30 fixed clinics and 3 satellite clinics. The Province presently operates 3 set clinics.

It has been a very difficult and frustrating year for the District Municipality in providing this service. The District Municipality submitted a request for R37,7 million to the Province for the provision of an acceptable level of service. We have seen that the patient numbers to the clinics have increased substantially, and the staff to patient ratios are very disproportionate. Essentially this request entailed the filling of all nursing vacancies, as well as upgrading the salaries of the nurses to a competitive level. Unfortunately, only R16,7 million was received from the Province.

Due to our inability to improve the salaries with such limited funding, there has been a substantial increase in the staff turnover and it has become extremely difficult to recruit nurses to work for the District Municipality. Unfortunately, all efforts made by the District Municipality to obtain additional funding from the Provincial Government has not yielded any positive response. It must be noted that the Province did however facilitate the provision of some nurses from the HSRC in the latter part of the financial year.

The District Municipality recognizes that it cannot finance the operating cost of the service due to its very limited discretionary income, and furthermore, any short-term funding would be unsustainable. Notwithstanding this, the District Municipality has shown its commitment to the service and has purchased several capital items, especially mobile clinics, in an effort not to further compromise the service.

Unfortunately, the situation for the 2008/09 financial year is no different, and we are committed to utilizing every available platform to obtain adequate funding for the service. I must commend the health staff for their untiring efforts in rendering the service.

In the previous review I indicated that the service would be provincialized. This matter is now on hold.

Environmental Health is a responsibility of the District Municipality. The District Municipality has appointed 7 of the local municipalities in its area as its agent in providing the environmental health service. The District Municipality continues to render the service in Ikwezi and Bavians, as well as the District Management Area. A total of R5,4 million was disbursed directly to the local municipalities. An amount of R4,3 million was received as a subsidy from the Provincial Government. Our efforts to conduct a Section 78 assessment in the 2007/08 financial year have not been successful. The work has commenced however and will only be finalized in the 2008/09 financial year. Any recommendations from this exercise would in all likelihood only be effective in the 2009/10 financial year. This will assist the District Municipality to gauge the most effective mechanism for rendering the service, as well as the appropriate funding levels.

Our efforts in securing lives and property when the District was affected by disasters, are highly commendable. The District Municipality has been at the forefront of providing tangible assistance to affected communities, lobbying the Provincial Government to assist, as well as securing Government financial assistance to rehabilitate the areas.

The District Municipality also embarked on extensive awareness campaigns, maintained the volunteer teams in all areas, and assisted local municipalities with equipment.

With regard to fire services, the District Municipality was instrumental in supporting all local municipalities financially with vehicles and equipment, as well as technical expertise. During the period of review, the District Municipality also maintained the service for the Sundays River Valley Municipality.

The District Municipality was also responsible to manage the library funds that were received from the Provincial Government. In this regard we worked closely with the local municipalities to ensure that the facilities have been upgraded and that the libraries are adequately resourced. Two new libraries were built in Jansenville and Grahamstown.

ECONOMIC DEVELOPMENT

District Municipalities are pivotal in promoting economic growth in the area that they are responsible for. During the IDP process, it was recognized that economic development must now be one of the development priorities of the District Municipality. Council subsequently approved the creation of a department to realize this goal.

Even though the recruitment process commenced immediately, the Head of Department and the staff were only appointed in the latter part of the financial year. Notwithstanding this, the District Municipality did implement several projects and also financially assisted the local

municipalities to initiate projects. The details of these are contained in the functional review of the annual report.

Several of the local municipalities applied to the Provincial Department of Economic Development for project finance. These funds were subsequently channeled to the District Municipality to manage and to assist the local municipalities to implement the projects. Unfortunately, many of these project applications were not properly conceived, and due to the fact that inadequate research was done and no formal business plans were prepared, the projects could not be realized in the financial year. Clearly, the funding that has been received is inadequate and it will now be utilized to prepare formal business plans to determine the viability of the projects.

It must also be mentioned that some of the projects have been plagued with problems, either when they were being set up, or in operation. The District Municipality will have to determine its future role in this regard. One notable success though is the project that was implemented in Vondeling. Within two years of the project's initiation, the business has now managed to export its crafts to Norway.

The District Municipality is moved towards consolidating its links with its development partners. Of note is the partnership with the Development Bank of Southern Africa to seek institutional support and financing to initiate catalytic projects in the District. Furthermore, the links with the German aid agencies GTZ and DED will see increased institutional support as well as the placement of a specialist agricultural expert with the District Municipality in 2008/09.

Although it did take some time, the three SEDA offices have now been set up in the District. The District Municipality is financing its operations. These offices will primarily assist with the creation, development and support of SMMEs.

The Thina Sinako LED Support Programme is hosted by the District Municipality. During the year the Programme assisted local municipalities with institutional support, as well as project financing for new businesses.

There are two development agencies in the District. The Blue Crane Development Agency was restructured in line with the new legislation, and a Board has been appointed. There are many projects which are at various stages of development, and progress with these has been highly commendable. As regards the Kouga Development Agency, it took an inordinate amount of time to finally secure the land earmarked for development, from the Provincial Government. The expressions of interest were received and three companies were short-listed to submit requests for proposals. The requests for proposals will only be evaluated in the 2008/09 financial year.

Tourism is one of the main economic drivers of the District economy. Both tourism marketing and tourism development will be championed by the Economic Development Department.

During the period under review, an extensive tourism marketing and publicity campaign was embarked on. The District Municipality also participated in various trade shows and exhibitions to promote the region, as well as its products. There are already very positive results in the increase of visitors to the District. The District Municipality is playing a pivotal

role in compiling tourism sector plans for five of the local municipalities in its area. Furthermore, it is also reviewing the tourism sector plans of the remaining four local municipalities. A Master Plan for the District will also be compiled. All of this will be completed in the 2008/09 financial year. Funding for this project has come jointly from the Development Bank of Southern Africa and the District Municipality.

The District Municipality participated in various forums that are dealing with the Soccer World Cup 2010. Unfortunately, very little tangible results have been evident in this regard in the period under review, and the District Municipality sees its future role as ensuring that the area is well promoted to visitors. The District Municipality will however continue to lobby for financing to improve the infrastructure, as well as the creation of viewing sites.

INFRASTRUCTURE DEVELOPMENT AND PLANNING

In the Cacadu District, the nine local municipalities are primarily responsible for infrastructure services, due to the fact that the powers and functions have been adjusted to them. This does not mean that the District Municipality would not be involved in infrastructure services or project implementation. The District Municipality will do so when it is requested by the other spheres of Government or by the local municipalities themselves. The District Municipality is solely responsible for all infrastructure development in the District Management Area. In this regard, it is pleasing to note that all residents in the District Management Area have proper access to water, sanitation and refuse removal.

During the period under review, the District Municipality was requested to rehabilitate many of the Provincial roads that were affected by floods in the previous financial year. An amount of R187,0 million was secured for relief purposes. Substantial progress was made by the District Municipality to finalize the roads project and it will be fully completed in the 2008/09 financial year. A small portion of this amount will be managed by the local municipalities to complete projects directly in their respective areas. Progress by the local municipalities has to date been erratic. The Cacadu District Municipality is now primarily a facilitator of infrastructure development. During 2007/2008, there has been continuous lobbying with the National and Provincial spheres and this has seen an increase in the Municipal Infrastructure Grants to the local municipalities.

Many of the housing projects have been plagued with problems. The resolution of these problems will again require financial injection and it is difficult at this stage to determine where the funding will come from due to the fact that housing is a Provincial competence. Although progress has been made with regard to transfers, the District Municipality will have to give increased attention to finalizing this matter.

The District Municipality support to local municipalities is informed by its Capacity Building Strategy. Three of the local municipalities, namely Koukamma, Ikwezi and Blue Crane Route, received hands-on support from the District Municipality with regards to project implementation. The problems in Koukamma particularly, required substantial financial injection as well as technical support. Furthermore, all municipalities have been assisted with regards to certain District-wide projects. The status quo assessment of waste management at each local municipality was completed and preparation of an integrated waste management plan has commenced. This will be completed in 2008/09. With regards to water, the District

Municipality has assisted the local municipalities to be functional water service authorities and water service providers. A Section 78 (1) assessment was completed at the end of the previous financial year and it took an inordinate amount of time in the year under review to obtain local municipality Councils' approval of this process. Work has now commenced on the Section 78 (3) assessment to look at the possibility of external mechanisms to provide the service.

The shift of emphasis has also seen the District Municipality play a more pivotal role in planning matters. A Planning Portal has been established to assist local municipalities, as well as to capacitate officials on matters of integrated planning. Hands-on support was given to Blue Crane Route, Ikwezi and Baviaans with regards to their IDPs. Other municipalities were assisted on request. Electricity Master Plans were initiated, again for Ikwezi, Baviaans and Blue Crane Route. An electronic land use management system was created to assist non-Town Planners from all municipalities to deal with town planning matters.

The Land Availability Audit and Area Based Plan was completed with financial assistance from the Department of Land Affairs. The plans will be submitted to all local municipalities for review and comment. This will assist local municipalities with regard to planning for housing development in urban areas. As regards the rural component, the study will inform how best to deal with agricultural development on under-utilised land.

Unfortunately, the processes with regard to the finalization of cemeteries are very onerous and very little progress has been made in this regard due to the fact that the outstanding matters are outside the control of the District Municipality.

CORPORATE SERVICES AND HR MATTERS

The Council has an Executive Mayoral system in place, and Mayoral Committee meetings are held every two weeks. Council meetings are scheduled and held every six weeks. Council does not have any Standing Committees, but this will be considered in the 2008/09 financial year. Council does however have a number of specialized Committees in place to provide support to Council in its decision making process. There are also a number of District-wide forums in place that cut across the various functional areas of work. The recommendations of these District-wide forums are fed into the Mayoral Committee system. There is an independent Audit Committee in place, and the Audit Committee meets quarterly.

The total staff complement of the Cacadu District Municipality stood at 266 on 30 June 2008, of which 201 are females (76%). Historically disadvantaged individuals constitute 97% of the total work force. At Management levels (0-3) the historically disadvantaged persons make up 70% of the work force (14/20). At the Head of Department level, females comprise 40% (2/5), whilst historically disadvantaged persons make up 80% (4/5).

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

Unfortunately, the results of the job evaluation process that commenced the previous financial years cannot be implemented as there are still several outstanding matters that need to be finalized by the South African Local Government Bargaining Council.

All employees, with the exception of the nursing staff, have performance plans. The nursing staff will have their plans finalized by September 2008. Performance reviews are conducted quarterly.

This annual report gives an exhaustive view of the municipality's performance during the 2007/2008 financial year and the efforts of all councilors and staff towards this achievement are appreciated.

CHAPTER 2

PERFORMANCE HIGHLIGHTS

SERVICES PROVIDED AND HIGHLIGHTS FOR 2007/2009

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

1. Economic Development

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, responsible for the following functions, was 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

The Department Head commenced duties on 1 January 2008.

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.

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.

A number of capacity building projects were embarked upon during the year under review.

3. Health Services

The District Municipality performs a Primary Health Care function as an agent of the Provincial Government. This service was provided under very trying conditions during the year under review, due to inadequate funding of the service by the Provincial Health Department, which resulted in a decline in the level of service which could be provided to communities.

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 HIV and Aids initiatives and special projects.

4. Infrastructure and Planning

The main role of the Infrastructure and Planning Department is planning for development throughout the District. The function of Integrated Development Planning is performed by Infrastructure Services Department's Planning Division. During the year under review, the Planning Division conducted a Community Based Planning exercise which identified community needs in the District. A number of projects emerged from this planning process and have been included in the IDP. Some of these projects were commenced during the year under review.

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 Municipality and Executive as well as other departments in the organisation.

A notable achievement during the year under review was the fact that Cacadu was the only municipality in the Eastern Cape Province to achieve an unqualified audit report for the 2006/2007 financial year.

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, ensuring regular, direct communication between community representatives and councillors and officials of the Municipality for the purposes of identifying the service delivery gaps and problems in the area.

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.

During the year under review, the Municipal Demarcation Board tabled the withdrawal of District Management Areas (DMAs) from the direct authority of district municipalities in the country, and incorporation of these areas into the boundaries of the nearest local municipalities. Although the boundaries have not yet been officially re-aligned to local municipalities, DMAs will cease to exist as of the next elections.

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 Bavians (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	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
Valley														
Bavians	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

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	67 % (Water = 29% & Electricity = 38%) Note: This relates to free water and electricity 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	206
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	$328\ 628 / 357\ 338\ 133 * 100 = 0.09\ %$ 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	$1162\ 672 / 58\ 968 = 19.71\ %$ (Rietbron Services)
Cash available and investments at 30 June, 2007 divided by monthly fixed operating expenditure	$388\ 127\ 370 / 27\ 473\ 357 = 14.12\ %$ (Cash / Employee Costs)

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:

- Economic Development
- Finance and Corporate Services
- Infrastructure Services and Planning
- 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
Economic Development	10
Finance and Corporate Services	34
Infrastructure Services	20
DMA: Rietbron	11
SUB-TOTAL - CDM	104
Health Services: <u>AGENCY FUNCTION</u>	162
TOTAL	266

EMPLOYEE RELATED COSTS

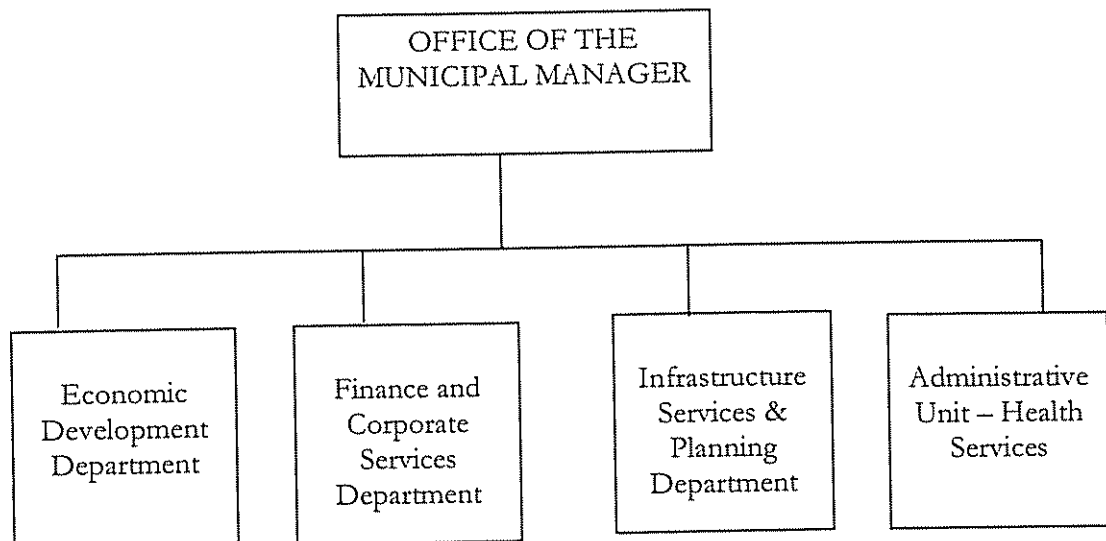
	2005/2006	2006/2007	2007/2008
	R	R	R
Actual Expenditure	23 290 009	24 799 959	24 331 377
Salary budget	26 835 600	29 392 562	32 999 403
Total budget	155 933 979	390 340 441	357 338 133
	14,94%	6,35%	6,81%

TOTAL AMOUNT OWED TO THE MUNICIPALITY BY STAFF - R52 928

VARIOUS INITIATIVES RELATING TO EMPLOYMENT ISSUES

The following initiatives relating to employment issues were successfully implemented in 2007/08 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 implemented on 1 July 2007 are detailed below:

**SKILLS DEVELOPMENT PROGRESS REPORT**

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

For the period July 2007 to June 2008, 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
 Monitoring and Evaluation Skills – Rhodes University
 Legal and Industrial Relations
 Development of EE and WSP - LGSETA
 Contract Management – National Treasury
 Records Management – DSRAC, EC
 Computer – Addskills & Eagle Computers
 Complex Procurement & Vendor Management – Lisho Events Management Forum
 Certificate Programme in Municipal Development (CPMD)

Courses attended by CDM councilors & employees	Total
Assessors, Coaches & Mentors	2
Certificate in Municipal Development Programme (CPMD)	12
Complex Procurement & Vendor Management	1
Computer	7
Contract Management	2
Development of EE & WSP	12
Legal and Industrial Relations	2
Monitoring and Evaluation	2
Municipal Management	3
Records Management	2

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 Training Committee has been revived and meets on a quarterly basis. Three meetings have been convened during the year under review, and good attendance was achieved.

The Workplace Skills Plan was adopted and submitted to LGSETA.

HR POLICIES

The following HR Policies were developed :

- Student Training and Critical Skills

- Experiential Training
- Overtime

The following HR policies are still under review:

- Study Assistance Scheme
- Cellular phone allowance
- 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 fairly well. The Local Labour Forum had its own challenges for this current financial year, ranging from insufficient items submitted and the non availability of party members. Twelve meetings scheduled for the year saw two of those having to be cancelled. Most meetings are postponed to a later date, resulting in most recommendations emanating from this forum being delayed for referral to Council for approval and implementation. This situation leads to an atmosphere of unnecessary tensions among parties as matters are not resolved and implemented on time.

EMPLOYMENT EQUITY

The following is the Municipality's Employment Equity Profile as at 30 June 2008. A key driver behind the staff appointment process is ensuring that the staff composition will ultimately reflect the demographics of the District.

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	2008 R	2007 R
Net Assets		189,166,543	172,275,461
Revaluation Reserve	6	47,506,916	49,585,807
Unappropriated Surplus		141,659,627	122,689,654
Non-current Liabilities		62,110,017	63,624,429
Long-term Liabilities	3b	15,000,000	15,382,785
Post employment medical benefit	3c	47,110,017	48,241,644
Current Liabilities		197,988,519	83,995,622
Short-term Portion of Deferred Income	3b	170,366,074	65,664,577
Short-term Portion of Long Term Liabilities	3a	300,589	466,208
Trade and Other Payables	4	27,321,856	17,864,837
TOTAL NET ASSETS AND LIABILITIES		<u>449,265,079</u>	<u>319,895,512</u>
ASSETS			
Non-Current Assets		58,858,554	59,418,825
Property, Plant and Equipment	6	58,755,606	59,294,355
Long-term Receivables	7	102,948	124,470
Current Assets		390,406,525	260,476,687
Short-term Portion of Long-term Receivables	7	15,660	143,504
Inventory	9	-	1,105,000
Trade and Other Receivables	10	8,881,414	10,799,968
Deposits	11	16,120	17,720
Cash and Cash Equivalents	12	381,493,331	248,410,495
TOTAL ASSETS		<u>449,265,079</u>	<u>319,895,511</u>

(Note : The Statement of Financial Position has been prepared in accordance with GRAP 1)

CACADU DISTRICT MUNICIPALITY **26**
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	2008 R	2007 R
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Revaluation Reserve	6	47,506,916	49,585,807
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(Note : The Statement of Financial Position has been prepared in accordance with GRAP 1)

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30 JUNE 2008**

	Note	Actual	
		2008	2007
		R	R
REVENUE			
Regional Services Levy- Turnover		-	1,853,018
Regional Services Levy- Remuneration		-	753,013
Rental		855,266	811,278
Investment Interest		22,374,008	17,131,133
Other Interest		185,382	376,104
Income for agency services		26,994	88,536
Government grants and subsidies	13	166,431,831	98,003,962
Tariffs and Charges		205,861	163,949
Property Rates		28,488	27,400
Other revenue	14	1,981,596	4,263,436
Total revenue		192,089,426	123,471,829
OTHER INCOME			
Gains on disposal of property, plant and equipment		1,146,337	12,218
Actuarial Gain on Valuation of post employment medical benefit		2,969,953	2,969,953
Total other income		4,116,290	2,982,171
Total Income		196,205,716	126,453,999
EXPENDITURE			
Employee related costs	15.1	24,331,377	22,054,186
Remuneration of Councillors	15.2	3,805,926	3,646,311
Contribution to bad debt provision		7,930,583	(1,339,961)
Bad debts written off		-	54,913
Collection costs		156,550	331,565
Depreciation		2,523,414	2,044,764
Repairs and maintenance		650,826	1,379,901
Finance cost	17	112,739	190,730
Bulk Purchases	18	13,238	15,791
Contracted services		2,514,672	2,270,223
Conditional Grant expenditure	19	106,296,645	41,501,719
Other Grants and Subsidies paid	19	6,033,000	4,622,980
General expenses-other		19,729,126	25,851,683
Discounting of post retirement benefit obligation	3c	4,494,833	4,407,942
Loss on disposal of property, plant and equipment		1,106,965	23,071
Cross subsidisation		44,756	43,191
Total Expenditure		179,744,650	107,099,009
Net Surplus/(Deficit) for the year		16,461,066	19,354,990

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)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from regional services levies, government grants and subsidies and other income	172,976,626	119,428,590
Cash paid to suppliers and employees	(163,436,729)	(103,191,142)
Cash generated from/(utilised by) operations	21 9,539,897	16,237,448
Investment Interest	22,559,390	17,506,136
Finance cost	(112,739)	(190,730)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	31,986,549	33,552,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment.	(3,407,282)	(950,100)
Proceeds on disposal of property, plant and equipment.	2,997,005	204,057
Decreases in long term receivables.	149,366	106,978
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(260,911)	(639,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance leases repaid	(548,405)	(523,580)
Increase/(Decrease) in deferred income	104,701,497	(2,675,986)
Outflow from post employment medical benefit.	(2,795,894)	(2,745,774)
NET CASH INFLOW/(OUTFLOWS) FROM FINANCING ACTIVITIES	101,357,198	(5,945,340)
NET INCREASE IN CASH AND CASH EQUIVALENTS	133,082,836	26,968,449
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	248,410,495	221,442,046
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	381,493,331	248,410,495
	12 (133,082,836)	(26,968,449)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
2. RESERVES		
Capital Replacement Reserve	47,506,916	49,585,807
Revaluation Reserve	141,659,627	122,689,654
Unappropriated surplus		
Total Reserves	189,166,543	172,275,461
The CRR is fully invested.		
3. NON CURRENT LIABILITIES		
3a Finance leases		
Finance leases	300,589	848,993
Less: Current Portion transferred to current liabilities	(300,589)	(466,208)
	-	382,785
The finance leases interest rate fluctuate at 0.5% below prime and is currently repayable in monthly instalments of R40 873 per month		
The total of the present value of the future minimum lease payments at the balance sheet date are :		
Within one year	271,034	466,208
Later than one year, but not later than five years	-	382,785
	271,034	848,993
The discounting rate was based on 15,5% less 0.5 % (2007 13.5% less 5%)		
Detailed information is available on Appendix A.		
3b Deferred income		
Conditional Grants from Government	182,410,533	76,522,521
National Government Grants	141,912,030	45,196,263
Provincial Grants and subsidies	40,498,503	31,326,258
Conditional Third party Grants from Government.	2,912,677	4,103,454
Provincial Grants and subsidies - 3rd party	2,499,564	3,594,636
Other	413,113	508,818
Other donations	42,864	38,602
Total Conditional Grants and Subsidies	185,366,074	80,664,577
Less : Short term portion transferred to current liabilities	170,366,074	65,664,577
Total Deferred income	15,000,000	15,000,000
The long term portion of deferred income of R 15m represents Restructuring Grant Funds that have been ring-fenced for the construction of a new office building in Jeffreys Bay.		
Total Deferred income	15,000,000	15,382,785

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	2007
R	R

See **Appendix F** for a reconciliation of grants from National/Provincial Government. These amounts are fully invested until utilised.

3c Post employment medical benefit.

Provision for Post Employment Medical Benefit.
Total Non-Current Provisions

47,110,017	48,241,644
47,110,017	48,241,644

The District Municipality's net obligation in respect of post employment medical benefits was calculated by Jacques Malan Consultants and Actuaries as at 30 June 2008. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

Valuation Method
Pre Retirement Benefit

The total value of the death in service benefit was calculated by discounting the future subsidies payable to dependants on the death of an employee. The expected increase in medical aid premiums and expected mortality for adults were taken into account.

Post Retirement Benefits

The post retirement value is the discounted value of the benefits which become payable after the retirement of the member. This benefit accrues over the working lifetime of the employee. The value shown is the proportion of the total value that has accrued up to the valuation date, assuming that the liability accrues uniformly over the member's working lifetime.

Accrued defined benefit obligation

The accrued liability was calculated by taking a pro-rata proportion of the total calculated value. This proportion is based on the past service of members relative to their prospective total service.

Current Service Cost

The Current Service Cost is based on the liability that is expected to accrue over the year

Valuation Assumptions

Rate of Interest	
Medical Aid Inflation Rate	10.25% p.a.
Investment Return	11.75% p.a.

The investment return assumption has been based on the yield on the R186 South African government bond as at 30 June 2008 plus a risk premium.

Mortality Rates

Mortality for pre retirement benefits has been based on the SA 72-77 mortality table rated down three years for females and on the PA (90) ult. Mortality table for post retirement benefits.

Normal Retirement Age

The Normal Retirement Ages for the Municipality are 65 years for male employees and 60 years for female employees. An average retirement age of 63 years for male employees and 58 years for female employees has been assumed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R

Spouse Dependents

It was assumed that 95% of current single male and female employees would be married at retirement. It was assumed that all employees who are currently married will be married at retirement. It was also assumed that a current employee is married if they have one or more adult dependents and that one of the adult dependents is the continuation member's spouse.

Gender

Where the gender of the members was unavailable, it was assumed that that the members are female, as this is considered to be more prudent.

Child dependents

It was assumed that child dependents complete their studies on average at the age of 21

Withdrawals

Withdrawals from employment were taken into account according to the following table:

Age	Males	Females
20	10%	10%
30	7%	7%
40	3%	3%
50+	0%	0%

Medical Aid Contributions at Retirement

It is assumed that 90% of the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

The above assumptions are consistent with the assumptions used in the previous valuation

Post Employment Medical Benefits**The movement in the post employment medical benefit is reconciled as follows:-**

Balance at beginning of year	48,241,644	52,500,000
Correction of error 30/06/2006		(3,038,338)
Restated balance at 30/06/2006		49,461,662
Expected benefit Payments	(2,795,895)	(2,745,774)
Reflected on the statement of financial performance:		
Current service cost - included in general expenses.	139,388	87,768
Interest Cost	4,494,833	4,407,941
Actuarial (Gain)/loss	(2,969,953)	(2,969,953)
Balance at end of year	47,110,017	48,241,644

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	3,537,600	2,539,841
Later than one year, not later than five years	18,167,548	12,736,269
Later than five years	25,404,869	32,965,534
Balance at end of year	47,110,017	48,241,644

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
The present value of the defined benefit obligation for the current annual period compared to the previous three annual periods are as follows:		
Financial Period 2007/08	47,110,017	
Financial Period 2006/07	48,241,644	
Financial Period 2005/06	49,461,662	
Financial Period 2004/05	50,869,282	

	2008	2007
Accumulative Actuarial (Gain) / Loss		
Balance beginning of the year	(5,939,906)	(2,969,953)
Projected during the year	(2,969,953)	(2,969,953)
Accumulated balance at the end of the year	<u>(8,909,859)</u>	<u>(5,939,906)</u>

The Actuarial gain of R8 909 859 was accounted for in the statement of financial performance.

The sensitivity of a change in 1% of the medical inflation would have the following effect on interest and service cost.

	<u>2.5% Real rate</u>	<u>Valuation assumption</u>	<u>0.5% Real rate</u>
Total Accrued Liability	41,474,523	47,110,017	54,148,814
Interest cost year following	4,720,428	5,383,717	6,213,718
Service cost year following	128,833	161,822	206,170

4. TRADE AND OTHER PAYABLES

Trade creditors	162,838	-
Payments in advance- RSC Levies	5,765	681,400
Payments in advance- Other	4,828	-
Payments in advance- Service debtors	4,626	11,096
Payments in advance - Sundry debtors	-	319,487
Payments in advance - Surety deposits	14,461	14,461
Unidentified deposits	46,585	54,002
Accrued leave	1,476,447	1,125,373
Infrastructure projects Levies	9,634,806	11,011,498
Salaries and Wages	222,754	204,353
Sundry creditors	143,954	101,826
Accruals	15,604,792	4,341,341
Total trade and other payables	<u>27,321,856</u>	<u>17,864,837</u>

Normal terms of payment is 30 days.

Sundry creditors have been restated with R15 219 (See note 20)

5. CASHBOOK OVERDRAFT

Cash book Overdraft (Net in cash and cash equivalents)	<u>6,634,228</u>	-
	<u>6,634,228</u>	-

This amount represents a Cash Book overdraft as a result of investing activities at year end. The Bank balance at year end was favourable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Land and buildings were valued at 30 June 2007 using the income capitalisation, comparable sales of sectional title office developments and comparable sales methods by DDP valuers Pty(Ltd) a registered and independent valuator.

The revaluation surplus is reconciled as follows:

	2008 R	2007 R
Balance at beginning of the year	49,585,807	38,516,658
Surplus realised	-	(355,640)
Balance on assets disposed of adjusted to surplus.	<u>(1,668,854)</u>	<u>-</u>
	47,916,953	38,161,018
Revaluation during the year	-	7,699,605
Adjustments	-	3,725,184
Off-set depreciation	<u>(410,037)</u>	<u>-</u>
Balance at the end of the year	<u><u>47,506,916</u></u>	<u><u>49,585,807</u></u>

Backlog depreciation was calculated according to GAMAP 17 taking into consideration the estimated useful life of the asset.

During 2008, the useful lives and the residual values of assets was reviewed. This has resulted in a R 59 928 reduction in depreciation charged to the Statement of Financial Position.

Refer Appendixes B and C for more detail on property, plant and equipment.

7. LONG-TERM RECEIVABLES

Loans to Kouga Local Municipality	65,679	209,183
Staff loans	<u>52,928</u>	<u>58,791</u>
	118,608	267,974
Less : Short-term portion transferred to current assets	<u>(15,660)</u>	<u>(143,504)</u>
Total Long-term Receivables	<u><u>102,948</u></u>	<u><u>124,470</u></u>

The loan to Kouga Local Municipality is unsecured, bears interest at 14.25 % per annum and is repayable in 30, 6 monthly payments.

8. INVESTMENTS

Fixed, short term and call investments are disclosed under note 12 and schedule G to these statements.

Classification of investments as a Financial instrument as per IAS 39 will be effected in 2008/09 as part of the GRAP implementation finalisation. The municipality is exempted from this classification for the 2007/08 financial year.

9. INVENTORY

Land	-	480,000
Building - Grahamstown depot	<u>-</u>	<u>625,000</u>
	<u>-</u>	<u><u>1,105,000</u></u>

The land Erf 722 measuring 1.716ha and Erf 723 measuring 1331 m² and building thereon was transferred to the Makana Municipality during the year under review.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
10. TRADE AND OTHER RECEIVABLES		
Levies	2,000,910	3,497,263
Services	1,164,439	936,990
Rates	53,883	48,155
Sundry Debtors	7,591	990
Department of Housing (Housing Schemes)	8,608,281	7,855,461
Rental	7,886	90,772
Accrued Rent	12,871	12,871
Staff accounts	-	5,576
Nelson Mandela Metropolitan debtors bank deposits	75,313	50,833
Nelson Mandela Metropolitan Municipality (Algoa House)	2,360,000	-
PPE purchased prepaid	648,000	-
General	3,422,452	350,158
Salaries and Wages	68,988	29,628
VAT	1,815,959	1,615,510
	<u>20,246,573</u>	<u>14,494,207</u>
Less: Allowance for doubtful debts	(11,365,159)	(3,694,239)
Balance at beginning of year	3,694,239	5,034,200
Restatement of the allowance for doubtful debts.	7,670,920	(1,339,961)
Bad debts written off	-	54,913
Bad debts expenses	-	(54,913)
	<u>8,881,414</u>	<u>10,799,968</u>
Total Trade and other Receivables		

Department of Housing (Housing Schemes) has been classified from non current assets to current assets, as the debt is unsecured, interest free and has no fixed terms of repayment.

Levies: Ageing

61 - 90 Days	391,332	-
91 - 120 Days	-	-
121 - 150 Days	-	-
151 - 180 Days	-	-
+ 180 Days	1,609,578	3,825,650
Total	<u>2,000,910</u>	<u>3,825,650</u>

Services: Ageing

0 - 90 Days	75,209	63,509
+ 90 Days	1,089,230	873,481
Total	<u>1,164,439</u>	<u>936,990</u>

Rates : Ageing

0 - 90 Days	27,105	4,838
+ 90 Days	26,778	43,317
Total	<u>53,883</u>	<u>48,155</u>

The RSC Levies are collected by the Nelson Mandela Metropolitan Municipality on a contractual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R

According to legislation passed during 2004/2005, the collection of RSC levies has been abolished effective 1 July 2006.

Terms of payment for accounts raised are determined in the credit control policy. This policy are exercised with caution when applied to parastatal organisations.

Restatements of 2007 balances:

Levies have been restated with R328 386. (See note 20b)

Rental have been restated with R158. (See note 20b)

Rates have been restated with R266 (See note 20b)

General have been restated with R32 767 and R1 101 (See note 20b)

11. DEPOSITS

Deposits - Electricity	5,000	5,500
Deposits - Parking	1,620	1,220
Deposits - Rietbron Electricity	500	2,000
Deposits - Post Office	9,000	9,000
	<u>16,120</u>	<u>17,720</u>

12. CASH AND CASH EQUIVALENTS

The Municipality has the following bank account:

Current Account (Primary Bank Account)

ABSA Limited
32 Govan Mbeki Avenue
Port Elizabeth
Account Number : 1640 000 062 (Current Account)

Cashbook balance at the beginning of the year	<u>3,872,478</u>	<u>3,430,008</u>
Cashbook balance (overdraft) at the end of the year	<u>(6,634,039)</u>	<u>3,872,478</u>
Bank statement balance at the beginning of the year	<u>12,435,889</u>	<u>7,933,832</u>
Bank statement balance at the end of the year	<u>7,212,625</u>	<u>12,435,889</u>

Short Term Investments**Short Term Deposits**

Cashbook balance at beginning of year	<u>244,534,917</u>	<u>218,066,939</u>
Cashbook balance at end of the year	<u>388,119,270</u>	<u>244,534,917</u>
Bank statement balance at beginning of the year	<u>244,534,917</u>	<u>218,066,939</u>
Bank statement balance at end of the year	<u>388,119,270</u>	<u>244,534,917</u>

Disclosed in the Statement of Financial Position as follows:-

Cash Book overdraft	(6,634,039)	3,872,478
Call Account Deposits	388,119,270	244,534,917
Petty cash	8,100	3,100
Net Cash and cash equivalents	<u>381,493,331</u>	<u>248,410,495</u>
Balance at the end of the year	381,493,331	248,410,495
Balance at the beginning of the year	<u>248,410,495</u>	<u>221,442,046</u>
Net Increase/(Decrease) in cash and cash equivalents	<u>133,082,836</u>	<u>26,968,449</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R2007
R

The opening bank balance was adjusted with R6549 as a correction of error.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Short -Term investments		
Interest on investments accrued	3,119,270	1,534,917
Short Term Deposits	<u>375,000,000</u>	<u>242,000,000</u>
Short Term Deposits	378,119,270	243,534,917
Call Account Deposits	<u>10,000,000</u>	<u>1,000,000</u>
Total cash investments	<u><u>388,119,270</u></u>	<u><u>244,534,917</u></u>

The return on investments for 2008 fluctuated between 8.9% and 12.83% (2007: 6.85% and 10.11%).

The current account and the call account exposes the municipality to cash flow interest rate risk.

Allocation of external investments

Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-

Post employment medical benefit.	47,110,017	48,241,644
Conditional Grants and Receipts (Deferred income)	185,366,074	81,145,861
Infrastructure projects from Levies	9,634,806	11,011,498
Accrued leave	1,476,447	1,125,373
Unappropriated surplus	<u>144,531,926</u>	<u>103,010,541</u>
Total	<u><u>388,119,270</u></u>	<u><u>244,534,917</u></u>

13. GOVERNMENT GRANTS AND SUBSIDIES**Government Grants**

Equitable share	48,719,015	41,734,852
Restructuring Grant - Development Facilitation	-	794,395
Total Government Grants	<u><u>48,719,015</u></u>	<u><u>42,529,247</u></u>

Provincial Subsidies

Contribution to Retirement benefits- (Roads pensioners)	2,957,718	2,897,345
Environmental Health	<u>4,270,178</u>	<u>4,028,471</u>
Total Provincial Subsidies	<u><u>7,227,896</u></u>	<u><u>6,925,816</u></u>

Total Government Grants and Subsidies received

	<u><u>55,946,911</u></u>	<u><u>49,455,063</u></u>
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National/Provincial Government Grant funding (expenditure reimbursement)

Capacity Building For Council	18,200	-
Goat Farming at Ikhwezi LM	-	99,446
Drought Relief	-	887,456
Libraries - Municipalities	2,047,267	2,951,453
Mayor's Special Projects	-	12,969
Disaster Management	1,540,018	2,773,014
Finance Management Grant	1,007,930	1,132,978

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
HIV/AIDS Medications	-	1,688,439
HIV/AIDS LSA Activities	-	695,964
IDP - Cacadu	600,000	-
Ikwezi Library	-	89,525
Municipal System Improvement Grant	2,037,460	1,297,499
IDP Support Grant for LM's and DM's	544,509	849,141
Restructuring Grant	3,755,416	3,666,200
Steytlerville Sport Field	859,073	15,136
Ambulance Subsidy	518,714	1,370,566
Spatial Development Framework- DHLG & TA	-	63,666
Inter-Governmental Relations	159,050	-
Longmore Flower Trail	-	40,000
Housing Projects	-	7,339,643
Peoples Housing Project	147,024	1,063,006
Tourism Plans - Deat	2,862	-
Economic Growth and Development Strategy - DFID	-	245,900
Thornham - Water Supply	85,993	-
Municipal Grant LED	189,617	112,000
Youth Centre - Somerset East	883	-
Ikwezi Youth Development	128,343	136,063
Ikwezi - Hardwood Farm	378,306	699,099
Ikwezi Financial Aid	-	75,970
Ndlambe Disability Special Projects	31,924	36,936
Passenger Transport Plans and Facilities	1,009,069	457,858
Planning and Rudimentary Services	-	244,100
District Wide Projects - Ex TRC funds	-	108,756
Land Survey Projects	276,626	41,500
Spatial Planning Projects	379,950	75,000
Dept Agriculture; Develop a Spatial plan	-	427,500
Multiannual Action Plans - MAAP	4,853,292	1,016,588
MIG	822,282	6,605,695
Department of Sport, Recreation Arts and Culture	-	32,009
Disability Empowerment Program	23,465	-
Building for Sport and Recreation	364,519	732,743
Valuation Projects	441,515	1,875,374
Blue Crane Route: Municipal Finance IT	79,951	118,590
Blue Crane Route: Municipal Finance AFS	-	123,690
Blue Crane Route: Municipal Finance Mentor	79,579	41,540
Vinhanzo Baartman (Bursary)	660	1,540
Thumeka Toni (Bursary)	810	1,890
Flood Damage Roads	77,995,381	9,012,457
Koukamma - Woodland Flower Project	2,910	-
BCR - Misty Mountain Flower Project	-	290,000
CMTP - Land Availability Audit	350,938	-
Rain Harvesting	2,963,429	-
Free Basic Strategy - LM's	627,000	-
LED Funding	277,537	-
Municipal Administration: Water	32,428	-
PHB Debtor	3,688,049	-
Capital Projects financed from grants	2,162,940	-
Total National/Provincial Government Grants (expenditure reimbursements)	110,484,920	48,548,899
TOTAL GOVERNMENT GRANTS AND SUBSIDIES	166,431,831	98,003,962

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to the DMA and Rietbron. The balance is used to supplement the Municipalities revenue as discretionary revenue is insufficient.		
Refer appendix F for additional info.		
14. TOTAL REVENUE:- Includes		
Other revenue:		
Finance charges to funding	309,400	648,424
Contribution from Skill Development Fund	131,406	202,989
Contributions from Local Municipalities-Job Description Unit	-	640,498
Infrastructure projects funded from Infrastructure Contingency Fund (ICF)	1,376,693	2,288,230
Insurance claims	16,783	82,258
Other	147,314	401,036
Total Other Revenue	1,981,596	4,263,435
15. EMPLOYEE RELATED COSTS		
15.1 Employee Related Costs		
Salaries and wages	19,391,527	15,205,805
Social contributions	4,939,850	6,848,381
	24,331,377	22,054,186
Remuneration of the Municipal Manager		
Annual Remuneration	645,058	613,441
Car Allowance	156,000	161,063
Performance Bonus	120,939	102,851
Total short term employee benefits	921,997	877,355
Remuneration of the Director Finance and Corporate Service		
Annual Remuneration	550,018	570,309
Car Allowance	144,000	103,667
Performance Bonus	115,424	93,636
Total short term employee benefits	809,442	767,612
Remuneration of the Manager of Health		
Annual Remuneration	400,274	303,556
Car Allowance	96,000	102,528
Performance Bonus	77,850	61,182
Total short term employee benefits	574,124	467,266
Remuneration of the Director Planning and Infrastructure Development		
Annual Remuneration	592,816	509,621
Car Allowance	100,000	100,000
Performance Bonus	117,246	74,572
Total short term employee benefits	810,062	684,193
Remuneration of the Director Development Facilitation		
Annual Remuneration	-	276,374
Car Allowance	-	50,000
Performance Bonus	-	87,262
Total short term employee benefits	-	413,636

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Office vacated after 6 months in the 2006/2007 financial year.		
Remuneration of the Director Economic Development		
Annual Remuneration	268,620	-
Car Allowance	70,002	-
Performance Bonus	-	-
Total short term employee benefits	<u>338,622</u>	<u>-</u>
New Department created. Director employed from 02/01/2008		

15.2 Remuneration of Councillors

Executive Mayor	518,230	503,407
Speaker	402,600	391,256
Mayoral Committee members	1,915,338	1,872,193
Councillors	969,758	1,034,476
Councillors' pension and Medical contribution	-	-
Total Councillors' Remuneration	<u>3,805,926</u>	<u>3,801,332</u>
Less: Amounts include in general expenses, which represents cellular telephone	-	155,022
	<u>3,805,926</u>	<u>3,646,310</u>

In-kind Benefits

The Executive Mayor is full-time and with the Mayoral Committee Members is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The mayor was entitled to stay in the flat on the roof of the Standard bank building at no cost up to April 2008. This benefit is deemed to have no fair value as it can not be utilised for residential purposes by third parties and sufficient office space is available in the Standard bank building.

16. KEY MANAGEMENT PERSONNEL

The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of Cacadu District Municipality:

Executive Mayor
 Speaker
 Mayoral Committee members
 Councillors
 Municipal Manager
 Director: Infrastructure
 Director: Development Facilitation
 Director: Finance and Corporate Services
 Manager: Health Services

Their short term employee benefits are disclosed in note 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
17. Finance cost		
Finance leases	112,739	190,730
Total interest on External Borrowings	<u>112,739</u>	<u>190,730</u>
18. BULK PURCHASES		
Water purchases -DMA	<u>13,238</u>	<u>15,791</u>
19. GRANTS AND SUBSIDIES PAID		
Expenditure charged against conditional grants		
Disclosed in the Statement of financial performance:		
Under Conditional Grant expenditure	106,296,645	41,501,719
Under Salaries and wages	278,595	
Under General Expenses	750,921	
Under Salaries, maintenance and general (Disaster management operating expenses)	1,000,000	
Total Conditional Grants and Subsidies paid	<u>108,326,160</u>	<u>41,501,719</u>
For more detail refer Appendix F.		
Grants and subsidies paid from own and unconditional grant funding:		
Sundries	178,495	
Kouga Development Agency (KDA)	500,000	500,000
Environmental Health Subsidies	5,354,505	4,122,980
Total allocations and grants from own funding.	<u>6,033,000</u>	<u>4,622,980</u>
20a CHANGE IN ACCOUNTING POLICY		
- Capital replacement reserve - Restatement in terms of Directive four on the amendments to transitional provisions of GRAP issued by the Accounting Standards Board. Balance at 30 June 2006		47,966,668
- Government Grant Reserve - Restatement as not allowed for in terms of GRAP/GAMAP/GAAP but applied in terms of National Treasury guidelines. Balance at 30 June 2006		1,758,247
Net Increase of accumulated surplus		<u>49,724,915</u>
- Capital Replacement reserve - Adjustment to CRR transactions for 2006/07 - refer above.		(659,933)
- Government Grant reserve - Adjustment for 2006/07 transactions.		35,552
Net Increase of accumulated surplus		<u>624,381</u>
- Post employment medical benefits - The restatement of the benefit plan balance to the actuarial balance as at 30/06/2006 as CDM is making use of the exemptions as per Government Gazette. (Decrease provision).		3,038,338
- Post employment medical benefits was erroneously adjusted to reflect the sensitivity thereof to the medical aid inflation rate:- (Decrease provision)		1,700,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
- Post employment medical benefits - Employee costs was understated in 2007 . This represents service costs on the post retirement benefit provision that was not recognised in 2007.:- (Increase provision)		(87,768)
- Post employment medical benefits - Discounting of post employment benefits was understated in 2007. This represent interest costs on the post retirement benefit provision that was not recognised in 2007.:- (Increase provision)		(4,407,942)
- Post employment medical benefits - Salaries and Wages overstated in 2007. This represents benefits paid against the income statement that should have been made against the provision.:- (Decrease provision)		2,745,774
- Post employment medical benefits - Actuarial gain on valuation was understated in 2007 . This represents a actuarial gain on the valuation of the Post employment medical benefits that was not recognised in 2007.:- (Decrease provision)		2,969,953
Net Increase of accumulated surplus		<u><u>5,958,355</u></u>

20b. RESTATEMENT OF PRIOR YEAR ERRORS**Adjustments to surplus opening balance 2007:**

- Deferred Income grants- Credits on completed projects adjusted to surplus.	481,283
Net effect on the Accumulated surplus account	<u><u>481,283</u></u>

During the year under review it was discovered that:

- Council General Expenses - General Expenses was overstated in 2007 . These refunds were processed in the 2008 financial year and should have been recognised in the 2008 financial year.(Decrease bank 2007)	6,403
- Disaster Management - General Expenses was understated in 2007 . This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007. :- (Increase creditors 2007)	(2,921)
- Estates - Repairs and Maintenance was understated in 2007 . This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.:- (Increase creditors 2007)	(388)
- Estates - General Expenses was understated in 2007. This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.:- (Increase creditors 2007)	(2,080)
- Finance Management - General Expenses was understated in 2007 . This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.:- (Increase creditors 2007)	(903)
- HIV and AIDS - General Expenses was understated in 2007 . This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.:- (Increase creditors 2007)	(486)
- District Management Area Administration - General Expenses was understated in 2007 . This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.:- (Increase creditors 2007)	(2,134)
- Information Technology - Repairs and Maintenance was overstated in 2007 . These refunds were processed in the 2008 financial year and should have been recognised in the 2007 financial year.:- (Decrease bank 2007)	146
- Mayoral Committee - General Expenses was understated in 2007 . This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.(Increase creditors 2007)	(1,628)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
- Public Relations - General Expenses was understated in 2007. This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.(Increase creditors 2007)		(4,030)
- Revenue Section - General Expenses was understated in 2007. This represents expenditure for 2007 that was paid in 2008 and that should have been recognised in 2007.(Increase creditors 2007)		(649)
- District Management Area Administration - Rates income was understated in 2007 . This represents income for 2007 that was accrued in 2008 and that should have been recognised in 2007.:(Increase debtors 2007)		266
- Estates - Rental income was understated in 2007. This represents income for 2007 that was accrued in 2008 and that should have been recognised in 2007.:(Increase debtors 2007)		158
- Information Technology - Tariffs and Charges was overstated in 2007 . This represents income accrued in 2007 that should not have been recognised as income and has been corrected in 2008.:(Decrease debtors 2007)		(32,767)
- Levies - Levies Income was overstated in 2007 . This represents income accrued in 2007 that should not have been recognised as income and has been corrected in 2008.:(Decrease debtors 2007)		(328,387)
- Revenue - Interest Income was understated in 2007 . This represents income that should have been recognised in 2007. that should not have been recognised as income and has been corrected in 2008.:(Increase debtors 2007)		1,101
- Properties at Rietbron not previously stated in AFS.		1,103,692
- Adjustment of the revaluation reserve to reflect the carrying value of the assets (financed by a revaluation) at 06/2007.		(25,184)
Net effect on the Accumulated surplus account		<u>710,209</u>
- Properties at Somerset East, Bedford and Graaff Reinet valued but not previously stated in AFS.		3,700,000
Revaluation Reserve		<u>(3,700,000)</u>
		<u>-</u>
The net effect of the restatements were as follows:		
2006		
Provision for post retirement benefits (Net Decrease)		3,038,338
Restatement of CRR and GGR		50,349,296
Deferred income - Unspent grants		481,283
Net Increase of accumulated surplus		<u>53,868,917</u>
Comparatives		
Creditors (Net increase)		(15,219)
Bank (Net increase)		6,549
Property, Plant and Equipment		4,803,693
Revaluation reserve		(3,725,184)
Debtors (Net decrease)		(359,629)
Provision for post retirement benefits (Net Decrease)		2,920,017
Net Increase of accumulated surplus		<u>3,630,228</u>
Total net increase of unappropriated surplus		<u>57,499,145</u>

The comparative and current amounts have been appropriately restated. The effect of the errors are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
	2007 Restated	2007 As Previously stated
Revenue	126,453,999	124,417,199
Regional Services Levy- Turnover	1,853,018	2,181,404
Regional Services Levy- Remuneration	753,013	753,013
Rental	811,278	811,119
Investment Interest	17,131,133	17,131,133
Other Interest	376,104	375,003
Income for agency services	88,536	88,536
Government grants and subsidies	98,003,962	98,003,962
Tariffs and Charges	163,949	196,716
Property Rates	27,400	27,134
Other revenue.	4,263,436	4,836,961
Actuarial gain on valuation of post retirement benefits.	2,969,953	-
Gains on disposal of property, plant and equipment	12,218	12,218
	2007 Restated	2007 As Previously stated
Expenditure	107,099,009	107,613,929
Employee related costs	22,054,186	24,799,960
Remuneration of Councillors	3,646,311	3,646,311
Contribution to bad debt provision	(1,339,961)	(1,339,961)
Bad debts written off	54,913	54,913
Collection costs	331,565	331,565
Depreciation	2,044,764	2,044,765
Repairs and maintenance	1,379,901	1,379,367
Finance Costs	190,730	190,730
Bulk services	15,791	-
Contracted services	2,270,223	2,270,223
Conditional Grant expenditure	41,501,719	46,124,699
Other Grants and Subsidies paid	4,622,980	-
General expenses-other	25,851,683	26,345,095
Provision for post retirement benefits	-	1,700,000
Discounting of post retirement benefit obligation	4,407,942	-
Loss on disposal of property, plant and equipment	23,071	23,071
Cross subsidisation	43,191	43,191
Surplus for the year.	19,354,990	16,803,271
The effect of the error on accumulated surplus is as follows:		
Changes on operating accounts 2007	2,551,719	
Changes directly on Statement of changes to net assets 2007	1,078,508	
Changes directly on Statement of changes to net assets 2006	53,868,917	
Net changes to accumulated surplus.	57,499,145	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
21. CASH GENERATED FROM / (UTILISED BY) OPERATIONS		
Net surplus for the year	16,461,066	19,354,990
Adjustment for:-		
Depreciation	2,523,414	2,044,764
Bad Debt written off	-	54,913
Loss on disposal of property, plant and equipment	1,106,965	23,071
Gain on disposal of property, plant and equipment	(1,146,337)	(12,218)
Gain on Actuarial valuation for post employment medical benefits	(2,969,953)	(2,969,953)
Discounting of post employment medical benefit obligation	4,494,833	4,407,942
Service cost	139,388	87,768
Contributions	7,930,583	(1,339,961)
Investment income	(22,559,390)	(17,506,136)
Finance cost	112,739	190,730
Operating surplus before working capital changes:	6,093,308	4,335,910
(Increase)/Decrease in Inventories	-	-
(Increase)/Decrease in accounts receivable	(6,012,029)	14,805,449
(Increase)/Decrease in deposits	1,600	(2,590)
Increase/(Decrease) in accounts payable	9,457,019	(2,901,321)
Working capital changes	3,446,590	11,901,538
Cash generated/(utilised) by operations	9,539,898	16,237,448
CASH AND CASH EQUIVALENTS.		
Bank	(6,634,039)	3,872,478
Short term investments	388,119,270	244,534,917
Cash	8,100	3,100
	381,493,331	248,410,495
22. EXTERNAL LOANS RECONCILIATION		
Cacadu District Municipality has external loans in the form of finance leases. Refer Appendix A		
23a. CONTINGENT LIABILITY		
A possible liability exists in respect of group life insurance claims that have been rejected by the insurers. This litigation process is still on going.	450,000	450,000
23b. CONTINGENT ASSETS		
A possible asset in respect of Input Vat claimable, subject to a SARS investigation, existed at year-end. At year-end, the result of the SARS investigation was not known. As a result, it was not virtually certain that the amount would be received.	2,198,485	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
24. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
<u>Unauthorised expenditure</u>		
	Budget/Actual Variance	
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	1,310,323
The Executive and Council Function has been overspent for the year under review. Below are the contributing factors :		
Advertising - all municipal advertising costed to Executive and Council	410,222	
Entertainment - all catering for meetings costed to Executive and Council	279,905	
Councillors Remuneration - approved by council, adjustment budget not proposed in error	452,010	
Printing and Stationery - budget inadequate	151,607	
In addition the year end transaction for the leave provision has been higher than expected.	16,579	
Approved by Council - subsequent to year end	-	(1,310,323)
Transfer to statement of Financial performance - authorised losses	-	-
Transfer to receivables for recovery	-	-
Closing balance	-	-
No overspending resulted in 2008.		
<u>Irregular, fruitless and wasteful expenditure</u>		
No irregular, fruitless or wasteful expenditure was incurred in the current and previous financial years.		
25. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
25.1 Contributions to SALGA		
Opening balance	-	-
Council subscriptions	157,511	204,140
Amount paid - current year	(157,511)	(204,140)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
25.2 Audit fees		
Opening balance	67,744	-
Current year audit fee	1,254,985	796,814
Amount paid - current year	(1,254,985)	(864,558)
Amount paid - previous years	(67,744)	-
Balance due (included in debtors)	-	(67,744)
25.3 VAT		
NET VAT -(receivable)	1,815,959	1,615,510

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
25.4 PAYE and UIF		
Opening balance	6,292	2,969
Current year payroll deductions	6,384,672	5,869,499
Amount paid - current year	(6,374,958)	(5,863,207)
Amount paid - previous years	6,292	(2,969)
Balance unpaid (included in debtors)	<u><u>22,298</u></u>	<u><u>6,292</u></u>
The balance represents PAYE and UIF paid to SARS on behalf of employees		
25.5 Pension and Medical Aid Deductions		
Opening balance	(50,491)	(50,102)
Current year payroll deductions and Council Contributions	2,516,436	2,404,164
Amount paid - current year	(2,516,336)	(2,404,164)
Amount paid - previous years	-	(389)
Balance unpaid (included in creditors)	<u><u>(50,391)</u></u>	<u><u>(50,491)</u></u>
26. CAPITAL COMMITMENTS		
The long term portion of deferred income of R 15m represents Restructuring Grant Funds that have been ring-fenced for the construction of a new office building in Jeffreys Bay. This construction has been delayed due to the lack of additional funds required to finance the accommodation and move to Jeffreys Bay		
27. OPERATING COMMITMENTS		
Operating leases - as lessee (expense): Photostat and facsimile machines		
Minimum future lease payments due		
-within one year	170,362	19,015
-second to fifth year inclusive	80,937	109,193
Total	<u><u>251,299</u></u>	<u><u>128,208</u></u>
28. POST EMPLOYMENT BENEFIT INFORMATION		
28.1 Post- Employment Medical Benefit		
Provision is made for post employment medical benefits in the form of health care plans for eligible employees and pensioners.		
28.2 Pension and Retirement Fund Benefits		
Employees and Council contribute to the Cape Joint Pension and Retirement Funds on the basis of a fixed contribution which is charged against income as incurred.		
29. IN-KIND DONATIONS AND ASSISTANCE		
No in-kind donations and assistance were made during the year		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
30. AGENCY FUNCTIONS		
The District Municipality provides Primary Health Care services on an agency basis on behalf of the Eastern Cape Health department.		
31. RISK MANAGEMENT		
31.1 Liquidity risk		
The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity through an ongoing review of future commitments and credit facilities.		
Stringent cash management procedures are in place. These include cash flow forecasting.		
31.2 Interest rate risk		
Deposits attract interest at a rate that varies according to the prime banking rate. The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.		
31.3 Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents and debtors. The Municipality only deposits cash with banks which have an equity above R 10 billion with a good credit rating.		
Significant concentration of credit risk is the outstanding RSC levy and Department of Housing (Housing Scheme) receivables.		
Management believes that the Allowance for doubtful debt adequately addresses the credit risk involved.		
32. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE		
Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted operating expenditure.		
33. ACTUAL CAPITAL EXPENDITURE VERSUS BUDGETED CAPITAL EXPENDITURE		
Refer to Appendix E (2) for the comparison of actual capital expenditure versus budgeted capital expenditure.		
34. EVENTS AFTER THE REPORTING DATE		
None		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R2007
R**35. COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT**

The Municipality has adopted a Supply Chain Management policy with effect from 1 January 2006 in accordance with the Act and applicable regulations. However, the Municipality has experienced difficulties in populating a comprehensive supplier database which is due to a poor response from potential suppliers. As a result the application of the regulations have not been fully implemented.

36. RELATED PARTIES**Kouga Development Agency**

The Kouga Development Agency (KDA) was established as a multi- jurisdictional service utility in terms of the Local Government Systems Act, 2000 in 2004 in a joint venture between the Cacadu District Municipality and the Kouga Local Municipality with Cacadu being the controlling entity.

KDA, funded by the parent municipalities and the Industrial Development Corporation, aims to leverage public and private resources for development around opportunities which offer investment, employment, economic and development potential in the Kouga area.

CDM has made a contribution of R500 000 during the current financial year (2007: R500 000) towards the operating costs of KDA.

The annual financial statements of KDA were not consolidated as CDM makes use of the exemptions granted by National Treasury in not compiling consolidated financial statements for the 2007/08 financial year. The statements are however attached as Appendix H to these financial statements.

Councillors and employees.

Councillors and employees have declared no interest or gain in or from any transaction entered into with CDM by any organisation or business.

37. KEY SOURCES OF ESTIMATED UNCERTAINTIES.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

38. SIGNIFICANT ESTIMATES AND JUDGEMENTS.

The preparation of CDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R2007
R**Judgements**

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements: GRAP 1

Bridging funding for housing projects is judged to be virtually irrecoverable from the Department of Provincial Housing due to problems locating and obtaining "happy letters" from participants in these projects. The full amount of R8 608 281 is therefore estimated to be doubtful and was included in the allowance for doubtful debt.

RSC levy debtors is judged to be 75 % irrecoverable due to legislative problems in recovering the outstanding amounts and the abolishment of the Act, therefore provision was made for the R1 499 315 on the allowance for doubtful debt.

It is judged that service receivables from Rietbron are virtually irrecoverable due to the unemployment and poverty of the community and R 1 117 309 was provided for as allowance for doubtful debt.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Post Employment Medical Benefit.

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2008 is R47 110 017 (2007: R48 241 644). Further details are given in Note 3.

Useful lives

The estimates and associated assumptions are based on the historical experience and management estimations of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management mainly assessed that the estimated useful lives in the prior years, which is still estimated to be appropriate.

Residual values

Residual values of property, plant and equipment is based on the nature of the assets, quotes obtained from suppliers and management estimation of condition. No changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

6. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure	Community	Other	Total
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2007/08

Restated carrying value at 30 June 2007

	254,257	8,367,729	50,672,369	59,294,355
Asset value	443,147	8,367,730	58,664,475	67,475,352
Cost	443,147	19	16,807,744	17,250,910
Revaluation	-	8,367,711	41,856,731	50,224,442
Accumulated Depreciation	(188,890)	(1)	(7,992,106)	(8,180,997)
- Based on cost	(188,890)	(1)	(7,353,471)	(7,542,362)
- Based on revaluation	-	-	(638,635)	(638,635)

Additions

Cost	-	-	3,837,298	3,837,298
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Carrying value of disposals

Asset value	-	-	(1,852,634)	(1,852,634)
Revaluations	-	-	(1,745,138)	(1,745,138)
Cost	-	-	(396,704)	(396,704)
Accumulated depreciation			289,208	289,208
- Based on cost			212,924	212,924
- Based on revaluation			76,284	76,284

Depreciation for the year

- Based on cost	(37,509)	-	(2,485,905)	(2,523,414)
- Based on revaluation	(37,509)	-	(2,075,868)	(2,113,377)
	-	-	(410,037)	(410,037)

Carrying value at 30 June 2008

	216,748	8,367,729	50,171,128	58,755,605
Asset value	443,147	8,367,730	60,359,931	69,170,808
Cost	443,147	19	20,248,338	20,691,504
Revaluation	-	8,367,711	40,111,593	48,479,304
Accumulated Depreciation	(226,399)	(1)	(10,188,803)	(10,415,203)
- Based on cost	(226,399)	(1)	(9,216,415)	(9,442,815)
- Based on revaluation	-	-	(972,388)	(972,388)

Carrying amount of property, plant and equipment retired from active use amounts to R37 463. These items of PPE might be disposed of in 2008/09.

The change in accounting estimate, as a result of the revision of useful lives and residual values, amounted to R180 873

Refer appendix B for more detail

CACADU DISTRICT MUNICIPALITY

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Infrastructure	Community	Other	Total
2006/07				
<u>Restated Carrying value at 30 June 2006</u>	-	18	49,205,614	49,205,632
Asset value	1	19	55,430,933	55,430,953
Cost	1	19	12,794,933	12,794,953
Revaluation	-	-	42,636,000	42,636,000
Accumulated Depreciation	(1)	(1)	(6,225,319)	(6,225,321)
- Based on cost	(1)	(1)	(5,870,653)	(5,870,655)
- Based on revaluation	-	-	(354,666)	(354,666)
<u>Depreciation</u>	-	-	(2,044,764)	(2,044,764)
-Cost	-	-	(1,689,124)	(1,689,124)
-Revaluation	-	-	(355,640)	(355,640)
<u>Carrying value of disposals/transfer to inventory</u>	-	-	(1,319,910)	(1,319,910)
Asset value	-	-	(1,390,106)	(1,390,106)
Cost	-	-	(285,106)	(285,106)
Revaluation transfer to current asset	-	-	(1,105,000)	(1,105,000)
Accumulated depreciation	-	-	70,196	70,196
Accumulated Depreciation - cost	-	-	70,196	70,196
Accumulated Depreciation - revaluation	-	-	-	-
<u>Revaluation at 30 June 2007</u>	-	-	7,699,605	7,699,605
Reversal of previous accumulated depreciation	-	-	-	-
Revaluation at 30 June 2007	-	-	7,699,605	7,699,605
<u>Additions</u>	-	-	950,100	950,100
Cost	-	-	950,100	950,100
Revaluation of Land and buildings to Fair value at 30 June 2007	-	-	-	-
<u>Carrying value at 30 June 2007</u>	-	18	54,490,645	54,490,663
Asset value	1	19	62,690,532	62,690,552
Cost	1	19	13,459,927	13,459,947
Revaluation	-	-	49,230,605	49,230,605
Accumulated Depreciation	(1)	(1)	(8,199,887)	(8,199,889)
- Based on cost	(1)	(1)	(7,489,581)	(7,489,583)
- Based on revaluation	-	-	(710,306)	(710,306)

APPENDIX A

CACADU DISTRICT MUNICIPALITY: SCHEDULE OF FINANCE LEASES AS AT 30 JUNE 2008

EXTERNAL LOANS	LOAN NUMBER	REDEEMABLE DATE	BALANCE AT 30/06/2007	PAYMENTS MADE DURING THE YEAR	FINANCE CHARGES FOR THE YEAR	REDEEMED WRITTEN OFF DURING THE PERIOD	BALANCE AT 30/06/2008	NET BOOK VALUE OF FINANCE LEASES	SHORT TERM PORTION	PRESENT VALUE OF FUTURE MIN PAYMENTS - WITHIN 1 - 5 YEARS
LEASE LIABILITY			R	R	R	R	R	R	R	
Vehicle finance lease - DHG 880 EC	1	2009/02/20	109,764	68,702	8,565	49,627	-	-	-	29,052
Vehicle finance lease - DHN 456 EC	2	2009/04/03	67,823	48,098	12,845	-	32,569	41,479.00	32,569.00	29,052
Vehicle finance lease - DHM 454 EC	3	2009/04/03	67,823	48,098	12,845	-	32,569	41,479.00	32,569.00	29,052
Vehicle finance lease - DHF 730 EC	5	2009/02/27	65,068	48,134	12,529	-	29,463	38,695.00	29,463.00	26,665
Vehicle finance lease - DHD 277 EC	6	2009/02/24	71,768	47,011	5,532	-	30,290	44,388.00	30,290.00	27,447
Vehicle finance lease - DHD 723 EC	8	2009/02/23	53,512	44,447	13,576	-	22,641	32,958.00	22,641.00	20,525
Vehicle finance lease - DHM 433 EC	9	2009/04/03	67,823	48,098	12,845	-	32,569	41,479.00	32,569.00	29,052
Vehicle finance lease - DHD 245 EC	10	2009/02/23	71,768	47,011	5,533	-	30,290	44,459.00	30,290.00	27,459
Vehicle finance lease - DHN 631 EC	11	2009/02/20	75,552	48,112	6,720	-	34,159	44,435.00	34,159.00	31,004
Vehicle finance lease - DHD 254 EC	12	2009/02/24	67,171	47,011	9,199	-	29,360	38,824.00	29,360.00	26,605
Vehicle finance lease - DHR 646 EC	13	2009/04/03	67,822	-	-	67,822	-	-	-	-
Vehicle finance lease - DHD 725 EC	14	2009/02/24	63,099	48,971	12,550	-	26,678	38,920.00	26,678.00	24,173
			848,993	543,693	112,739	117,450	300,589	407,116.00	300,588.00	271,034

APPENDIX B

CACADU DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

CLASSIFICATION	COST				ACCUMULATED DEPRECIATION				CARRYING VALUE	BUDGET ADDITIONS 2008
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE		
INFRASTRUCTURE										
Electricity infrastructure	280,254	-	-	280,254	123,733	22,197	-	145,930	134,324	-
Land	-	-	-	-	-	-	-	-	-	-
Water	162,893	-	-	162,893	65,157	15,312	-	80,469	82,424	-
	443,147	-	-	443,147	188,890	37,509	-	226,399	216,748	-
COMMUNITY										
Land	8,367,730	-	-	8,367,730	-	-	-	-	8,367,730	-
	8,367,730	-	-	8,367,730	-	-	-	-	8,367,730	-
OTHER										
Bins and containers	10,820	-	-	10,820	8,656	361	-	9,017	1,803	-
Buildings	26,905,104	35,286	(1,540,138)	25,400,252	691,412	470,444	(76,284)	1,085,572	24,314,680	203,000
Computer equipment	5,222,566	452,125	(8,317)	5,666,374	3,598,840	667,869	(1,392)	4,265,317	1,401,057	663,000
Furniture and fittings	1,045,835	378,910	-	1,424,745	263,007	103,102	-	366,109	1,058,636	174,000
Land	18,742,570	-	(205,000)	18,537,570	-	-	-	-	18,537,570	-
Motor vehicles	3,746,740	2,468,158	(388,387)	5,826,511	1,888,010	825,907	(211,532)	2,502,385	3,324,125	2,330,000
Office equipment	881,917	250,173	-	1,132,090	558,708	149,183	-	707,891	424,199	159,000
Specialised plant and equipment	1,731,568	103,529	-	1,835,097	829,127	225,078	-	1,054,205	780,893	383,000
Specialist vehicles	377,355	149,116	-	526,471	154,345	43,961	-	198,306	328,165	-
	58,664,475	3,837,297	(2,141,842)	60,359,930	7,992,105	2,485,905	(289,208)	10,188,802	50,171,128	3,912,000
TOTAL	67,475,352	3,837,297	(2,141,842)	69,170,807	8,180,995	2,523,414	(289,208)	10,415,201	58,755,606	3,912,000
		M.S.1								

APPENDIX C

CACADU DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 JUNE 2008

FUNCTIONAL AREA CLASSIFICATION	COST				ACCUMULATED DEPRECIATION				CARRYING VALUE
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	
Executive and Council	2,364,720	527,507	(233,610)	2,658,617	1,049,307	424,094	(149,618)	1,323,783	1,334,834
Finance and Administration	59,866,346	899,846	(1,745,138)	59,021,054	4,583,135	1,123,027	(76,284)	5,629,878	53,391,176
Planning and Development	1,310,996	642,602	-	1,953,598	687,985	258,933	-	946,918	1,006,680
Health	629,143	427,833	(133,094)	923,882	289,234	129,645	(63,306)	355,573	568,309
Housing	54,729	6,592	-	61,321	29,477	9,604	-	39,081	22,241
Public safety	2,527,430	1,332,061	(30,000)	3,829,491	1,213,345	521,627	-	1,734,972	2,094,519
Road Transport	266,003	-	-	266,003	142,538	14,015	-	156,553	109,450
Water	190,729	856	-	191,585	74,990	20,272	-	95,262	96,323
Electricity	265,254	-	-	265,254	110,983	22,197	-	133,180	132,074
Total	67,475,352	3,837,297	(2,141,842)	69,170,807	8,180,995	2,523,414	(289,208)	10,415,201	58,755,606

APPENDIX E(1)
CACADU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED
30 JUNE 2008

REVENUE	Actual 2008	Budget 2008	Variance R	Variance %	Explanation of Significant Variances Greater than 10% versus Budget
Regional Services Levy- Turnover	-	-	-	-	RSC Levies abolished
Regional Services Levy- Remuneration	-	-	-	-	RSC Levies abolished
Rental	855,266	770,300	(84,966)	11	
Investment Interest	22,374,008	18,872,030	(3,501,978)	19	Reserves higher than expected during the year
Other Interest	185,382	60,200	(125,182)	208	Interest in outstanding levy debt higher than expected
Income for agency services	26,994	88,000	61,006	-69	Higher than expected income for IT Bureau and payroll services
Government grants and subsidies	166,431,831	311,677,007	145,245,176	-47	Flood relief funds received late in the financial year
Tariffs and Charges	205,861	256,100	50,239	-20	Administration in Rietbron improved resulting in more reliable data
Property Rates	28,488	30,000	1,512	-5	
Other income	1,981,596	25,584,496	23,602,900	-92	Contribution from a surplus not utilised and budgeted contributions from creditor funds not utilised
Gains on disposal of property, plant and equipment	1,146,337	-	(1,146,337)	100	Income not expected and therefore not included in the budget
Actuarial Gain on Valuation of post employment medical benefit	2,969,953	-	(2,969,953)	100	Income not expected and therefore not included in the budget
Total Income	196,205,716	357,338,133	164,102,370	-45	
EXPENDITURE					
Employee related costs	24,331,377	32,999,403	8,668,026	-26	Vacant positions not filled
Remuneration of Councillors	3,805,926	4,134,191	328,265	-8	Increase in remuneration for office bearers as per legislation
Contribution to bad debt provision	7,930,583	3,850,000	(4,080,583)	106	Additional provision made for Housing outstanding capital monies.
Collection costs	156,550	-	(156,550)	100	Linked to collection rate of RSC Levies
Depreciation	2,523,414	990,600	(1,532,814)	155	Recalculation of depreciation based on revised useful life of assets
Repairs and maintenance	650,826	2,370,500	1,719,674	-73	Repairs to office buildings lower than expected
Finance cost	112,739	51,300	(61,439)	100	Finance charges on leased vehicles budget under General Exp - leases
Bulk Purchases	13,238	13,238	(13,238)	101	No budget
Contracted services	2,514,672	3,813,100	1,298,428	-34	Savings
Conditional Grant expenditure	106,296,645	253,691,185	147,394,540	-58	Slow expenditure on projects and flood relief funds budgeted for but not received
Other Grants and Subsidies paid	6,033,000	5,102,900	(930,100)	18	Overspent
General expenses-other	19,729,126	50,118,654	30,389,528	-61	Savings in general expenditure and slow expenditure on self funded projects
Discounting of post retirement benefit obligation	4,494,833	-	(4,494,833)	100	Unplanned cost. Not included in budget
Loss on disposal of property, plant and equipment	1,106,965	-	(1,106,965)	100	Unplanned cost. Not included in budget
Cross subsidisation	44,756	216,300	171,544	-79	Lower than expected contribution required
Total Expenditure	179,744,650	357,338,133	177,593,483	-50	
NET SURPLUS/(DEFICIT) FOR THE YEAR	16,461,066	-	(13,491,113)		

APPENDIX D
CACADU DISTRICT MUNICIPALITY: SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
876,201	14,735,407	(13,859,206)	Executive and Council	3,534,895	16,554,902	(13,020,007)
72,815,613	21,405,015	51,410,599	Finance and Administration	80,881,616	36,135,915	44,745,701
8,460,075	16,618,714	(8,158,639)	Planning and Development	6,295,249	13,380,086	(7,084,837)
7,348,555	10,479,670	(3,131,115)	Health	5,814,357	8,829,509	(3,015,152)
3,285,574	4,223,546	(937,972)	Community and Social services	2,047,892	2,092,958	(45,066)
9,967,880	10,386,952	(419,072)	Housing	3,876,309	4,346,156	(469,847)
2,781,336	5,261,194	(2,479,858)	Public safety	3,680,583	5,154,238	(1,473,655)
779,888	1,051,277	(271,389)	Sport and Recreation	1,223,593	2,003,693	(782,100)
-	-	-	Environment Protection	-	-	-
397,331	337,026	60,305	Waste Management	88,276	6,110	82,166
5,618,049	5,618,049	-	Waste Water Management	3,713,179	3,713,179	-
9,478,631	10,737,578	(1,258,947)	Road Transport	79,004,450	80,379,823	(1,375,373)
3,954,702	4,844,045	(889,343)	Water	5,965,610	6,641,062	(675,452)
27,601	68,327	(40,726)	Electricity	81,026	145,461	(64,435)
1,143,846	1,332,211	(188,365)	Other	2,862	363,739	(360,877)
126,935,282	107,099,009	19,836,273	Total	196,209,897	179,748,831	16,461,066

APPENDIX E(2)
CACADU DISTRICT MUNICIPALITY: CAPITAL EXPENDITURE ACTUAL VERSUS BUDGET FOR THE YEAR ENDED
30 JUNE 2008

	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
INFRASTRUCTURE ASSETS					
Car Parks	-	-	-	-	
Street Lighting	-	-	-	-	
OTHER ASSETS					
Buildings	1,138,978	203,000	-935,978	82.18%	
Office Building	1,138,978	203,000	-935,978	82.18%	Rietbron Office building not included previously on Asset Register
Computer equipment	452,125	663,000	210,875	-46.64%	
Computer Hardware	452,125	663,000	210,875	-46.64%	Computer equipment that was in good condition was not replaced during the year under review despite having been budgeted for. Savings utilised to acquire urgently needed
Furniture and fittings	378,910	174,000	-204,910	54.08%	
Office Machines	-	-	-	-	
Chairs	128,314	54,000	-74,314	57.92%	Savings from the computer equipment budget utilised
Tables/Desks	22,086	109,500	87,414	-395.79%	Furniture and Fittings that were in good condition were not replaced during the year under review despite having been budgeted for. Savings utilised to acquire urgently needed office
Cabinets/Cupboards	162,740	10,500	-152,240	93.55%	Built in Cupboards previously excluded from Asset Register now included
Miscellaneous	65,770	-	-65,770	100.00%	Savings from the computer equipment budget utilised
Motor vehicle	2,468,158	2,330,000	-138,158	5.60%	
Motor Vehicles	2,468,158	2,330,000	-138,158	5.60%	Fire Engine budget incorrectly recorded as operating budget
Office equipment	250,173	159,000	-91,173	36.44%	
Office Machines	250,173	159,000	-91,173	36.44%	Airconditioners previously excluded from Asset Register now included
Miscellaneous	-	-	-	-	
Specialised plant and equipment	103,529	383,000	279,471	-269.94%	
Miscellaneous	103,529	383,000	279,471	-269.94%	Specialised plant and Equipment that was in good condition was not replaced during the year under review despite having been budgeted for. Savings utilised to acquire urgently needed office furniture.
Compressor	-	-	-	-	
General	-	-	-	-	
Specialised vehicles	149,116	-	-	-	
Miscellaneous	149,116	-	-	-	
Grand Total	4,791,873	3,912,000	-879,873	18.36%	

**CACADU DISTRICT MUNICIPALITY
APPENDIX F**

CONDITIONAL GRANTS AND RECEIPTS

DESCRIPTION	UNSPENT BALANCE 1 July 2007	CONTRIBUTIONS/ ADJUSTMENTS	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE	CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30 June 2008	Conditions Completed With
HOUSING PROJECTS	1,801,541	-	-	-	-	-	958,613	842,928	Yes
HONEYBUSH TEA	146,860	-	-	16,213	-	-	-	163,073	Yes
PEOPLES HOUSING PROJECT	8,526,130	-	-	933,868	147,024	-	-	9,312,974	Yes
THORNHAM - WATER SUPPLY	93,895	-	-	3,233	85,993	-	-	11,135	Yes
MUNICIPAL GRANT LED	972,020	-	-	96,223	189,617	-	-	878,626	Yes
PASSENGER TRANSPORT PLANS AND FACILITIES	3,173,131	-	-	281,987	1,009,069	-	-	2,446,049	Yes
PILOT HOUSING PROJECT - ADDO	717,088	-	-	79,167	-	-	-	796,254	Yes
PILOT HOUSING PROJECT THORNHILL	26,489	-	-	2,924	-	-	-	29,413	Yes
DISTRICT WIDE PROJECTS - EX TRC	276,906	-	-	30,570	-	-	-	307,476	Yes
LAND SURVEY PROJECTS	929,428	-	-	89,648	276,626	-	-	742,451	Yes
SPATIAL PLANNING PROJECTS	670,178	-	-	60,332	379,950	-	-	350,560	Yes
KIRKWOOD TRC - ADDO (I.D.P.)	-	-	-	-	-	-	-	-	Yes
VALUATION PROJECTS	526,965	-	-	24,100	441,515	-	-	109,549	Yes
LED STRATEGY SMME	334,858	-	396,000	71,011	-	-	-	801,869	Yes
IKWEZI LIBRARY	-	-	-	-	-	-	-	-	Yes
IKWEZI YOUTH DEVELOPMENT	128,343	-	-	-	128,343	-	-	-	Yes
IKWEZI - HARDWOOD FARM	556,153	-	-	52,245	378,306	-	-	230,092	Yes
NDLAMBE DISABILITY SPECIAL PROJECTS	72,938	-	-	4,817	31,924	-	-	45,830	Yes
PUBLIC WORKS PROJECTS	1,072,885	-	-	-	-	-	-	1,072,885	Yes
BLUE CRANE ROUTE: MUNICIPAL FINANCE IT	81,410	-	-	3,093	79,951	-	-	4,552	Yes
BLUE CRANE ROUTE: MUNICIPAL FINANCE AFS	34,730	-	-	3,834	-	-	-	38,564	Yes
BLUE CRANE ROUTE: MUNICIPAL FINANCE MENTOR	114,743	-	-	8,774	79,579	-	-	43,938	Yes
SRV - HAWKERS FACILITIES	204,556	-	-	22,584	-	-	-	227,140	Yes
TOTAL	80,664,577	-	199,231,045	13,225,936	104,633,931	2,162,940	958,613	185,366,074	

Add: Capital Expenditure 2,162,940
Add: Housing projects (Note13) 3,688,049
Total to Revenue 110,484,920

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF CACADU DISTRICT MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Cacadu District Municipality which comprise the statement of financial position as at 30 June 2008, 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 notes, as set out on pages xx to xx.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Municipal Finance Management Act 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
 4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 11 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
-

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by Cacadu District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of Cacadu District Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA and DoRA.

Emphasis of matter

Without qualifying my audit opinion, I draw attention to the following matter:

Highlighting critically important matters presented or disclosed in the financial statements

Restatement of corresponding figures

11. As disclosed in note 20 to the financial statements, the corresponding figures for 30 June 2008 have been restated as result of changes in accounting policies and
-

errors discovered during the 30 June 2008 financial year in the financial statements of Cacadu District Municipality.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

12. Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

The municipality has not paid all money owing within 30 days of receiving the relevant invoice or statement as required by section 65(2)(e) of the MFMA.

Matters of governance

13. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.	✓	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.	✓	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✓
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.		✓
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	✓	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	✓	

Unaudited supplementary schedules

14. The supplementary information set out in appendices C, D, E(1) and E(2) does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES**REPORT ON PERFORMANCE INFORMATION**

15. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

16. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

17. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and read in conjunction with section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).
18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
19. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)**Non-compliance with regulatory requirements**

20. The internal auditors did not audit the performance measurements on a continuous basis, as required by the *Municipal Planning and Performance Management Regulations Gazette 7146* issued in *Government Gazette No. 22 605 of 24 August 2001*, section 14(c), read in conjunction with section 45 of the MSA, as only two quarterly reports on their audits were submitted to the accounting officer and the performance audit committee.

Performance information not received in time

21. Performance information was not received in time and consequently the quality of only the following two programmes of the performance information could be verified for audit purposes:
- Priority 1: Infrastructure investment - To assist local municipalities to provide adequate potable water and adequate sanitation by 2010.

- Priority 2: Economic development - To grow the district economy to achieve a year-on-year growth rate.

APPRECIATION

22. The assistance rendered by the staff of the Cacadu District Municipality during the audit is sincerely appreciated.

Auditor-General

Port Elizabeth

26 November 2008



AUDITOR-GENERAL

MANAGEMENT RESPONSE TO THE REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF CACADU DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

Management's response will be provided with reference to the relevant paragraphs in the Audit report:

1. **Audit Opinion**

1.1 **Paragraph 10 Opinion**

The Auditor-General has concluded that "In my opinion the financial statements present fairly in all material respects, the financial position of CDM as at 30 June 2008 and its financial performance and cash flows for the year, in accordance with the basis of accounting determined by National Treasury and in the manner required by the Municipal Finance Management Act".

2. **Emphasis of the Matter**

There are however matters of emphasis raised by the Auditor-General which are currently being attended to. These include:

2.1 **Paragraph 11 - Restatement of Corresponding Figures**

The material changes include:

2.1.1 **Capital Replacement Reserve**

The Capital Replacement Reserve was transferred to the Accumulated Surplus account. In terms of Directive four on the amendments to transitional provisions of GRAP issued by the Accounting Standards Board the Capital Replacement Reserve is not allowed which was previously allowed for in terms of National Treasury Guidelines.

2.1.2 **Government Grant Reserve**

The Government Grant Reserve is not allowed for in terms of GRAP / GAMAP / GAAP and has been transferred to the Accumulated Surplus.

2.1.3 **Provision of Post Retirement Benefits**

The early adoption of IAS 19 and actuarial valuation of Post Retirement Medical Care Benefits liability necessitated changes to the accounting policy and restatement to the provision to be made retrospectively.

2.1.4 **Property Plant and Equipment**

A number of properties not previously stated in the Fixed Assets Register have now been accounted for:

	R
Properties in Rietbron	1 103 693
Properties in Somerset East, Bedford and Graaff Reinet	3 700 000
	4 803 693

3. **Other Matters**

The issues raised under other matters include:

3.1 Non Compliance with Applicable Legislation

3.1.1 Paragraph 12 - Creditors not paid within 30 days

Procedures will be implemented whereby creditors clerks will be required to provide reasons why payment vouchers have not been paid within 30 days of receiving the relevant invoice. This will enable management to identify the root causes of late payments which can then be addressed.

3.2 Paragraph 13 - Matters of Governance

The analysis of matters of governance identifies three reasons which require the attention of management:

3.2.1 The Annual Report was not submitted to the Auditor-General for consideration prior to the date of the Auditor's report.

The annual report is compiled after finalization of the Annual Financial Statements and receipt of the audit report from the Auditor-General at the end of November. The internal information systems will have to be revised to ensure that performance information is available to the Auditor-General prior to the date of the Auditors report.

3.2.2 The Financial Statements for audit were subject to material amendments resulting from the Audit

The early adoption of GAMAP / GRAP and other accounting standards have presented management with many challenges. The material amendments were required to ensure that the Annual Financial Statements comply with the relevant accounting standards. The adoption of the new accounting standards and the full implementation of the MFMA have contributed to the continual improvement in the financial reporting standards of the municipality in terms of accuracy and reliability.

3.2.3 The municipality did not submit an Implementation Plan detailing progress towards full compliance with GRAP to the National Treasury and the relevant Provincial Treasury before 30 October 2007

The implementation plan was submitted after the final completion of the 2007/2008 Annual Financial Statements and external audit as it was necessary to establish which GRAP and other accounting standards would be selected for early adoption.

The GRAP Implementation Plan for the 2008/2009 financial year was submitted on 28 October 2008.

Full implementation to GRAP Accounting Standards will be attempted during the 2008/2009 financial year.

4 **Other Reporting Responsibilities**

4.1 Paragraph 20 - The internal auditors did not audit the Performance Measurement on a continuous basis

The resignation of the Manager: PMS during the financial year as well as the late submission of quarterly performance reports to the Council delayed the internal audit processes. All the quarterly reports (Section 52 of the MFMA) in respect of the 2007/2008 financial year have subsequently been subjected to internal audit processes.

4.2 Paragraph 21 – Performance Information not received in time

The submission of the quarterly reports to Council includes a detailed report on the progress made with regard to the Service Delivery Budget Implementation Plan (SDBIP). The SDBIP contains details of all the development objectives and programmes of the municipality which may be utilized to determine the quality of programmes. Additional information in terms of the Municipal Systems Act will be provided in future i.e. measures taken to improve performance.

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2008

We have pleasure in presenting our report for the year ended 30 June 2008.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee has adopted appropriate formal terms of reference and consisted of the four independent, outside members as listed below.

The audit committee meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

During the 2007/8 year four meetings were held.

<u>Name of member</u>	<u>No of meetings attended</u>
S G Zamisa (Chair)	4
S M Dondolo	4
F E Prinsloo	4
Dr R Snelgar	4

AUDIT COMMITTEE RESPONSIBILITIES

The committee reports that it has complied, as far as possible, with its responsibilities set out in its Council approved terms of reference and the relevant legislative requirements.

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee has noted the unqualified opinion expressed by the Auditor-General in his report on the Annual Financial Statements and commends management on addressing the issues raised in connection with the Application of the Financial Statement Preparation Framework.

The Auditor-General has without qualifying his opinion emphasised the matters set out below:

- Restatement of corresponding figures: this relates to the presentation and disclosures in the financial statements and arose through changes in accounting policies and errors identified during the current financial year.

The committee is satisfied that these matters relate to presentation and do not represent specific risks to the district municipality. The costs involved in achieving compliance with the GRAP and GAMAP standards have been noted.

The other matters raised in the balance of the report have been noted by the committee and measures identified by management to address these.

The Committee has:

- Reviewed the audited annual financial statements;
- Reviewed management responses to the management letters of the Auditor-General;
- Concluded that the going concern premise is appropriate in preparing the annual financial statements.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

The matters reported in the reports of Internal Audit (received quarterly) and the Auditor-General; as well as matters brought to the attention of the Accounting Officer, by way of informal queries and management letters, indicate that whilst there is always room for improvement the internal checking and control measures generally functioned adequately during the year under review.

The Committee has urged management to take corrective action to ensure that internal checking and control measures are as effective as possible so as to improve the internal control environment.

PERFORMANCE MEASUREMENT

The municipality is monitoring and comparing actual to targeted progress on a regular basis according to a framework. The Service Delivery and Budget Implementation Plan (SDBIP) report is used which reflects planned completion dates for all projects.

The findings of the Auditor-General regarding performance information are noted. The committee is of the view that the system has been in place but reporting delayed as a result of staff changes. They have confirmed with management that reporting and monitoring is taking place as expected.

CONCLUSION

The Audit Committee accepts the conclusions of the Auditor-General on the annual financial statements for the year ended 30 June 2008 and recommends that the audited annual financial statements should be adopted by the Council.

APPRECIATION

On behalf of the Audit Committee, I would like to extend sincere appreciation to the municipal staff for their assistance and support during the financial year under review.

S G Zamisa
Chairman

xx January 2009

Glossary:

- GRAP** Generally Recognised Accounting Practice
GAMAP Generally Accepted Municipal Accounting Practices
GAAP South African Statements of Generally Accepted Accounting Practice
PAA Public Audit Act, 2004 (Act 25 of 2004)

REPORT BY ACCOUNTING OFFICER ON FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

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.

A scrutiny of the notes to the financial statements will reveal that even though the Council had applied for certain exceptions, some of them were implemented during the course of the year. The Statement of Financial Position (Balance Sheet) reveals that the Municipality is in a very favourable financial position. The net assets increased from a restated R172,2 million to R189,1 million. The primary reason for this is an increase in the Accumulated Surplus by R19,0 million, from R122,6 million to R141,6 million.

The non-current liabilities consist of a R15,0 million provision for possible relocation of the District Municipality as well as a R47,1 million provision for post-retirement medical benefits for former staff.

The increase in the current liabilities by R114 million is due primarily to the short-term portion of deferred income. The continuation of certain roadwork contracts into the 2008/09 financial year is the reason for this.

The non-current assets have remained stable from the previous financial year, although it must be noted that the Council disposed of Algoa House to the Nelson Mandela Bay Municipality in the course of the year.

The substantial increase in the current assets is attributable to the increase in cash and cash equivalents, due to the receipt of certain conditional grants in the latter part of the financial year, as well as unspent conditional grants.

With regards to conditional grants, the financial year commenced with unspent grants of R80,6 million. A further R199,2 million was received. Interest allocated to the grants amounted to R13,2 million and a total of R107,8 million was expended.

Unspent conditional grants at the year end amounted to R185,3 million, which is a cause for concern. Strategies have been put in place to ensure that most of this money is expended in the 2008/09 financial year.

The Council is largely dependent on grant allocation to finance its budget. Grants for the year amounted to R166,4 million. Total income amounted to R196,2 million.

Conditional grant expenditure constituted the bulk of the expenses (R107,8 million including transfers) whilst employee related costs amounted to R24,3 million.