

2nd DRAFT

Annual Report
2011/2012



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



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PART 1

INTRODUCTION AND OVERVIEW

EXECUTIVE MAYOR'S FOREWORD

The Local Government elections took place on 18 May 2011. This Annual Report, which covers the period 1 July 2011 to 30 June 2012, will be the first full review of the current Council. At the outset, I want to express my appreciation to the Council, led by the Speaker, for its unwavering support to me to carry out the Executive function.

In the financial year under review, Council continued with the set of priorities previously adopted to provide a framework for its work and to carry out its mandate. These priorities included infrastructure investment, economic development, support to local municipalities and community services.

The District is very vast, with communities scattered throughout the area. It is important that the area is well serviced to ensure that communities have decent, acceptable services, as well as to ensure that businesses are able to develop and grow. Hence, infrastructure investment is a key priority of the Council.

There are still tremendous challenges in the District. Unemployment is still at an unacceptable level of 23% *. It is important that all spheres of Government and business work together to deal with the scourge of joblessness. Whilst the world economy is still recovering from the downturn that occurred over the past few years, it is crucial that all spheres of Government are part of various investment initiatives. The District Municipality therefore regards economic development as a key priority. To give effect to this, the District Municipality has invested substantial resources to promote small business, promote agricultural activity, promote tourism and embark on a whole host of other activities. It is vital that we reduce the number of people who are dependent on social grants.

As a local government sphere, it is key for us to ensure that all communities in the District have proper access to services. In the District, most municipal services reside with the local municipalities. The services in the District are at an acceptable level. However, that should not make us to be complacent. The role of the Cacadu District Municipality is to support the nine local municipalities in its area of jurisdiction, to provide effective and efficient services to all our communities. In this regard, the District Municipality has not only assisted the local municipalities in the area of infrastructure and local economic development, but also to build the institutional capacity of the nine municipalities.

**Census 2011*

We have made a concerted effort to reach out to the municipalities, and embarked on a series of interactions with the nine local municipal Councils, as well as their stakeholders. In addition, Councillors and Management have been specifically tasked to support the nine local municipalities, to ensure that they succeed. Communication with our communities at large takes place regularly through our local radio stations and our community newsletter (Cacadu News).

Sound administration is vital to the effective functioning of institutions. In some cases, there were serious problems at senior staff levels in local municipalities. It is important that the right people are appointed to these senior posts. We have also seen the appointment of new senior personnel at local municipality level. Ideally, this will bring about the necessary stability required for effective functioning of the institutions.

In the period of review, the Municipal Public Accounts Committee (MPAC) was set up. This Committee will assist Council in playing its oversight role. The work of the MPAC will become more evident in the ensuing financial year.

Council's decision to relocate its head office to Kirkwood still stands. Progress in this regard can best be described as satisfactory. After a series of engagements to identify suitable property owned by the different spheres of Government, it became abundantly clear that the Council would have to source land from the private sector and construct its administrative centre. Ideally, in the next financial year, more tangible progress will be evident.

The Council has also resolved to support a change of name of the District to the Sarah Baartman District. The decision was taken towards the end of the financial year. A series of public consultations must now occur.

The 2011/12 Annual Report provides a comprehensive overview of what the Council has achieved in the period under review. We can be justifiably proud of our achievements as we endeavour to serve the communities who have entrusted us with the responsibility to provide decent services to them.

At the Cacadu District Municipality, the work of Council has been vested with the Mayoral Committee. I am grateful for the support of the members of the Mayoral Committee, and the oversight role they exercise over the various functions and Departments.

I also want to thank the Municipal Manager and the staff for their support and their ongoing efforts to achieve our goals.



KHUNJUZA EUNICE KEKANA
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). Four other portions collectively known as the District Management Area (DMA) were incorporated into 5 of the local municipalities, effective from the date of the municipal elections in May 2011. 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 area, and consequently, land access to the Metropole is via the Cacadu District. The nine local municipalities in CDM and their respective towns are:

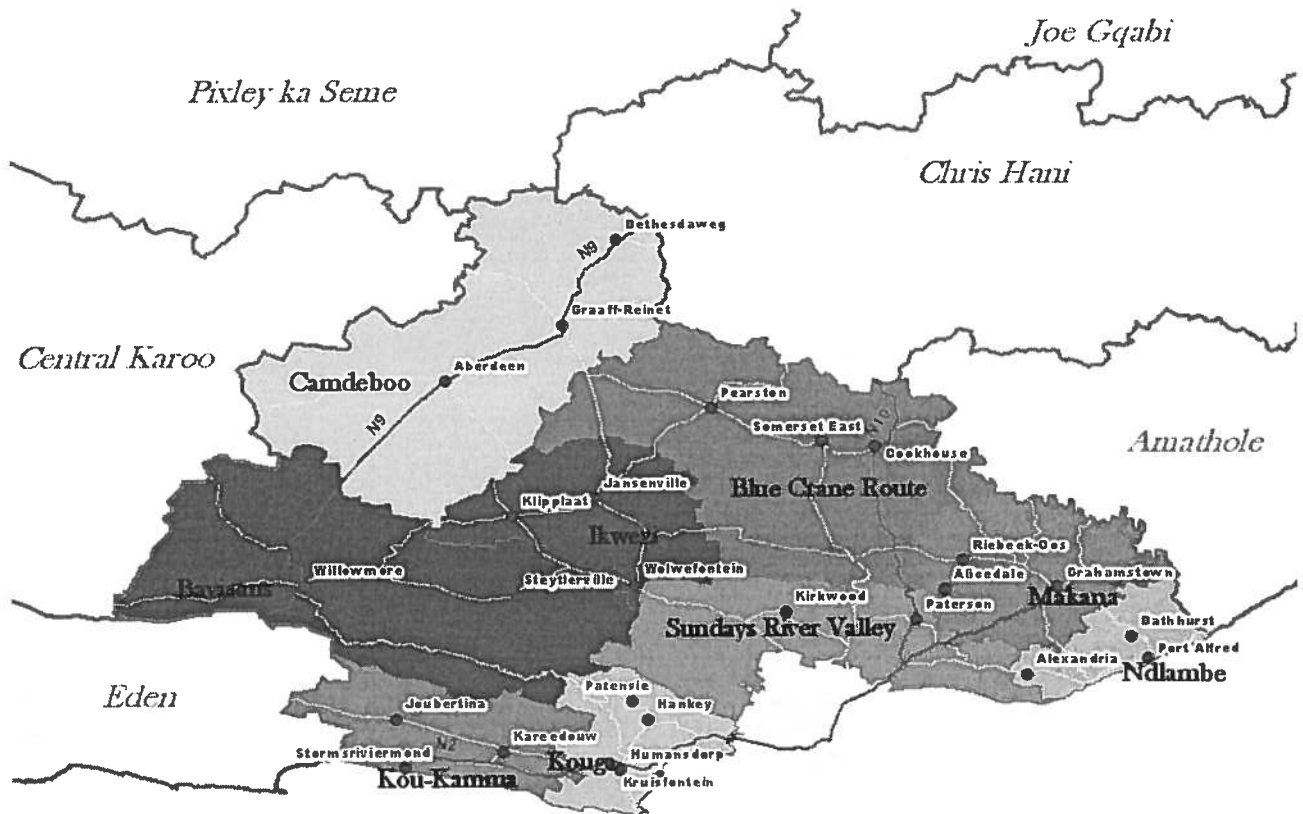
	MUNICIPALITY	MAIN SETTLEMENTS / TOWNS
EC101	Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda
EC102	Blue Crane Route	Somerset-East, Cookhouse, Pearston
EC103	Ikhwezi	Jansenville, Klipplaat, Waterford
EC104	Makana	Grahamstown, Alicedale, Riebeeck-East
EC105	Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria, Bathurst
EC106	Sundays River Valley	Kirkwood, Addo, Paterson
EC107	Baviaans	Willowmore, Steytlerville
EC108	Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie, St Francis Bay, Thornhill, Loerie
EC109	Kou-Kamma	Joubertina, Kareedouw, Louterwater, Storms River, Clarkson, Coldstream

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

GEOGRAPHIC AREA

SOCIO-ECONOMIC DISTRICT PROFILE

The Cacadu District constitutes approximately 6,9% (census 2011 stats) of the population of the Eastern Cape Province. The district is dominated by a Karoo landmass resulting in low population densities and scattered, small inland towns. There are higher densities along the coast and in urban centers.



According to the results of Census 2011, the Cacadu District Municipality has a total population of 450 584, distributed amongst the local municipalities as follows. The Census 2001 figures have been included for comparison purposes:

Local Municipality	Main Settlements	Census 2001	LM Survey (2005)
Camdeboo	Graaff-Reinet, Aberdeen, Nieu-Bethesda	44,368	50,993
Blue Crane	Somerset East, Cookhouse, Pearston	35,015	36,002
Ikwezi	Jansenville, Klipplaat, Waterford	10,367	10,537
Makana	Grahamstown, Alicedale, Riebeeck-East	74,541	80,390
Ndlambe	Port Alfred, Kenton-on-Sea, Bushmans River, Alexandria	55,480	61,176
SRV	Kirkwood, Addo, Paterson	41,582	54,504
Baviaans	Willowmore, Steytlerville	15,339	17,761
Kouga	Jeffreys Bay, Humansdorp, Hankey, Patensie, St Francis	70,693	98,558
Koukamma	Joubertina, Kareedouw, Louterwater	34,294	40,663
ECDMA 10	Rietbron, Wolwefontein, Vondeling, Glenconner	6, 531	-
TOTAL		388,204	450,584

These numbers are a significant, as they have a direct impact on funding allocations of Government Grant Funding.

Unemployment in the Cacadu District is estimated at 40,484 (23%), as per census 2011 figures.

Due to its rural nature the largest proportion of the population in the Cacadu District is employed in the Agriculture sector. There has also been a significant growth in the Tourism sector with resultant employment opportunities.

MAJOR EVENTS AND ISSUES WHICH AFFECTED THE WORKING ENVIRONMENT DURING THE YEAR

- Ongoing engagements to deal with issues arising from incorporation of portion of DMA area into local municipalities
- Withholding of equitable share by National Treasury
- Disestablishment of Kouga Development Agency
- Commenced with establishment of Cacadu District Development Agency
- Two new Department Heads appointed
- Introduction of stringent Supply Chain Management procedures to comply with the requirements of the Auditor General
- Decision to reverse interest income and VAT on grant funding to accumulated surplus wef 1 July 2011
- Establishment of Municipal Public Accounts Committee

EXECUTIVE SUMMARY

This Annual Report has been prepared in accordance with the guidelines issued by National Treasury. The guidelines require that the performance of the municipality be reported on, in functional areas. An overview of each functional area, with a description of the activity, is presented. Furthermore, the strategic objectives of each function as well as priorities and progress on such priorities, is highlighted. This executive summary will focus on the salient issues from the various functional areas and the development priorities.

The year under review which highlights the performance of the institution, covers the period 1 July 2011 to 30 June 2012. This period is the final year of the five year plan of this cycle of the Integrated Development Plan. Council adopted four development priorities. These are investment in infrastructure, capacity building and support of local municipalities, the provision of community services, as well as the promotion of local economic development.

After the local government elections which were held in May 2011, the District Management Areas were disestablished and incorporated into the adjoining local municipalities. This effectively means that the Cacadu District Municipality is not responsible for direct service provision in a specific area, but has to assist all nine local municipalities. In the Cacadu District, the provision of basic services by virtue of legislation, and the manner in which the powers are adjusted, reside with the local municipalities. Obviously there are certain functions for which the District Municipality is responsible.

The vastness of the District, which covers approximately an area of 60 000 square kilometres, strongly supports the Cacadu District Municipality principle of decentralization, whereby services are placed as close as possible to communities in need of such services. This approach has therefore resulted in the District Municipality building its institutional capacity to render support to the nine local municipalities.

All nine local municipalities in the District are Water Service Authorities and Water Service Providers. As a result, all Municipal Infrastructure Grants and other Regional Bulk Infrastructure Funds, flow directly to the local municipalities. Notwithstanding this fact, the Cacadu District Municipality has, in the course of the financial year, financed specific projects. These included the Water Conservation and Demand Management Project in Jansenville, the Waterborne Sewerage Project in Nieu Bathesda, the Paterson Rainwater Harvesting Project, which has just commenced.

Other infrastructure related projects that the Cacadu District Municipality financed, include the Rietbron Solar Water Project, the Somerset East Roads and Stormwater Project, and the electrification of Wolwefontein and Kleinpoort.

Notwithstanding the incorporation of Rietbron as part of Baviaans Municipality, the District Municipality continued on the second phase of the Expanded Public Works Programme in that area. It is gratifying to note that 78 jobs have been created as a result of this initiative. This project relates to the construction of roads and pavements.

The Cacadu District Municipality has not embarked on any new housing development projects. It is focusing on completing the transfer of the houses to beneficiaries in the developments that were previously embarked on. The transfer of houses to beneficiaries continues to be a problem.

As part of its support mandate, the Cacadu District Municipality has provided all nine local municipalities with both technical and financial assistance, to compile their IDPs. The Cacadu District Municipality has also assisted the local municipalities with town planning projects, as well as assisting Ndlambe with an Operations and Maintenance Study.

The construction of libraries was plagued with certain challenges and problems. The Cacadu District Municipality commenced with the construction of the library in Kirkwood. The construction of the other libraries in Makana, Blue Crane Route and Ndlambe will only commence in the 2012/13 financial year.

In the previous financial year, the Primary Health Care function was provincialized. As part of its commitment to improve access to health facilities, the District Municipality completed the construction of the clinic in Glenconnor. The clinics at Kleinpoort and Wolwefontein will only be completed in the 2012/2013 financial year. These are the former District Management Areas, which have now been incorporated as part of local municipalities.

Environmental Health is a competence of the District Municipality. Six of the local municipalities render the service as agents of the District Municipality. This arrangement is guided by a Service Level Agreement. The District Municipality continues to render the service in Bavians, Ikwezi and Koukamma. The District Municipality intends to build the capacity of the three municipalities, with the intention of also appointing them as agents as well. Continual attention is given to water quality monitoring. Whilst some water quality problems have been identified in certain isolated cases, generally though, the water quality is of a very good standard. Increased focus is also given to the testing of foodstuff.

The District Municipality continues to play a pivotal role in Disaster Management. The Disaster Operations Centre is on duty 24 hours a day. The District, due to its vastness, is prone to many forms of disaster. The District Municipality operates four satellite centres. It also ensures that the level of preparedness in vulnerable areas is high. Disaster Management plans are in place for all local municipalities.

In the period of review, substantial investment was made by the District Municipality in the area of fire fighting. Service level agreements were entered into with all nine local municipalities, whereby the District Municipality will financially assist the local municipalities to ensure an appropriate service is in place. This included financing the local municipalities with additional fire personnel, supplying vehicles and equipment, and the construction of fire stations. The construction of fire stations did not commence for various reasons, but will commence in the 2012/2013 financial year. The financial assistance to the local municipalities was premised on a risk assessment that was done. The District Municipality completed the first phase of the standardisation of fire hydrants in the Kouga area. The District Municipality also financed the training of fire personnel of all nine local municipalities.

HIV and AIDS continues to receive increased attention at the District Municipality. The District Aids Council is led by the Executive Mayor. Local Aids Councils were assisted with financial support to ensure their effective functioning. Education and Awareness campaigns continue to receive priority. In the area of sport, the District Municipality works with the Department of Sports, Recreation, Arts and Culture to promote primarily grassroots activities. Many programmes were embarked on with regards to youth development, women empowerment, and also to assist people with disabilities. During the year, many commemoration days and special events were supported in local municipal areas, whereby the District Municipality made financial contributions. The District Municipality also has a partnership with the Ubuhlobo Project which is championed Mr Rolf Meder from Germany. As a result of this partnership, five students from the District were sponsored to visit Germany.

The building of the capacity of local municipalities is a key focus area. The District Municipality financed the development of Roles and Responsibilities as well as the system of delegations, for all local municipalities. The District Municipality also assisted certain local municipalities with the development of policies and bylaws as well.

The District Municipality also assisted the local municipalities with the development of Finance Management Improvement Plans, as well as the development of various finance related policies. In addition, increased focus was given to performance management. Local municipalities were assisted to compile Service Delivery Budget Implementation Plans, Performance Management Policies and Performance Management Agreements. Many workshops were conducted to capacitate the local municipalities to ensure that performance management is entrenched as part of their work. The District Municipality commenced with the roll out of an automated Performance Management System to its nine local municipalities. In the financial year of review, the system was installed in Blue Crane Route Municipality. Plans are afoot to roll out the system in all nine local municipalities.

The Connect with Cacadu Project can be regarded as a flagship project. To date, facilities have been set up in 34 libraries to provide a free internet and email service to library users. A range of educational and other material is also available on the system. This has resulted in an increase in the number of library users. Local municipalities were also financially assisted to procure library equipment, books and other material. The funding for this programme comes primarily from the Department of Sports, Recreation, Arts and Culture.

As indicated, Economic Development is a major priority of the District Municipality. The Council resolved to establish a District Development Agency. This Agency will deal with both infrastructure and economic development projects throughout the District. The actual registration of the entity, together with the specific projects it will champion, will be dealt with in the 2012/2013 financial year. The disestablishment of the previous entity, the Kouga Development Agency, was substantially complete. The one unresolved matter relating to a tender of the award of the mandate area is currently with attorneys for advice.

There was good progress made with regards to the Rural Economic Development Initiative (REDI) programme. This programme is a partnership between the Cacadu District Municipality

and the Development Bank of Southern Africa (DBSA). There was good progress with regards to the following projects, Fonteinbos Nature Reserve, Camdeboo Aquaculture Satellite Project, the Eastern Cape Pineapple Beneficiation Project.

Phase two of the Agricultural Mentorship Programme also commenced. This programme is targeted at assisting small farmers to be mentored and become properly established. Each identified group will initially be mentored for a period of two years. Each group will be further assessed as to whether they will need additional mentoring. At the moment, 11 groups are being mentored. All costs are borne by the District Municipality. The District Municipality is grateful for the support it receives from GIZ in financing a person to champion the programme.

The District Support Team continued to function effectively. This intergovernmental structure is primarily focused on building the capacity of officials and Councillors to fulfil their duties and responsibilities. The District Support Team embarked on a study tour to Ireland, the cost of which was primarily financed with funding from the European Union.

It is also important to note that several of the Local Economic Development projects could not be properly implemented. This is due to a variety of factors. The details are contained in the functional and activity part of this Annual Report.

The District Municipality continued to market its entire area. The focus is through the Seven Wonders brand. Financial support was rendered to local tourism organizations' festivals, as well as to local municipality tourism development initiatives.

Various other tourism related projects were initiated. These include support for the Umzi Wethu programme which is targeted at skilling young people for a career in nature conservation and the game reserve industry, and the development of a tourism statistics system.

The Speaker of Council has been championing the Moral Regeneration Movement campaign and public participation. The Speaker has also been actively engaging with local municipalities on governance issues. There have also been targeted campaigns of engaging with farmers and communities throughout the District, as well as in the former District Management Areas. The Speaker has been at the forefront of championing the transfer of Transnet property to the District Municipality. These properties will be subdivided and transferred to beneficiary communities that reside on this land.

The staff structure of the Cacadu District Municipality as at 30 June 2012 stood at 83. Of this number, 65 are females. HDIs constitute 88% of the workforce. The District Municipality has an employment equity plan in place as well as a skills development plan.

Towards the end of the financial year, the District Municipality commenced with a Graduate Intern Programme.

FINANCIAL PERFORMANCE

An analysis of the Municipality's Statement of Financial Position for the year ended 30 June 2012 reveals that the Municipality is in a strong financial position. Its cash management record over many years is excellent and its post-employment medical benefits, provisions including its unappropriated surplus (R175,6m) are almost fully cash backed as detailed below:

	Unappropriated Surplus 30 June 2012 R/m	Cash Portion 30 June 2012 R/m	Backed
Post-Employment Medical Benefit	58,0	58,0	
Accrued Leave Pay	2,1	2,1	
Unappropriated Surplus	175,6	173,7	
TOTAL	235,7	233,8	

Based on the 2012 Operating Expenditure, the Municipality has adequate cash available to operate for at least 24 months.

The Municipality's Long Term Financial Sustainability Model has essentially informed the compilation of the Medium Term Revenue and Expenditure Framework relating directly to affordability and sustainability. The salient feature for the model is the focus on sustainability, not only from a municipal finance perspective but also relating to service delivery and project financing.

The Municipality is dependent on government grants to finance its operations. Emphasis is therefore placed on utilizing its own cash resources in an efficient and effective manner. The utilisation of the Municipality's own resources such as accumulated surplus to finance infrastructure projects without negatively affecting the long term financial sustainability is therefore a complex matter. The government grants are inadequate to finance the Municipality's expenditure budget and it has therefore adopted a pragmatic approach by using interest earned on investments to finance operating expenditure. By adopting this approach, the Cacadu District Municipality has over many years been able to support and provide project funding for infrastructure projects for the nine local municipalities in its area of jurisdiction.

The Municipality does not collect property rates or service charges. At 30 June 2012 an amount of R24,4m was reflected as outstanding debt which included debt owed by the following government departments, R21,9 million by National Treasury and R1,4 million by the Provincial Department of Health. This amount (R23,3m) represents more than 96,0 % of the outstanding debts.

The amount of R21,9 million owed by National Treasury represents VAT not recognized as revenue as at 30 June 2010 which National Treasury incorrectly identified as an unspent MIG conditional grant balance. National Treasury withheld the Municipality's equitable share amounting to R21,9 million. All efforts to date to recover the funds have failed and the Council

has therefore in December 2012 resolved that a VAT Legal expert be appointed to assist in recovering the amount. National Treasury has advised the Auditor – General that it will not pay the amount of R21,9 million to CDM and it was therefore decided to impair the full amount in the financial statements.

The Municipality is of the opinion that the approach of the Municipality to ring-fence the VAT input tax in the conditional grant account for financing other infrastructure projects and not recognizing these amounts as revenue should not be a reason for withholding equitable share and the Municipality is confident that the amount will eventually be recovered.

The total revenue from all sources decreased from R211,3 million to R117,9 million which is a decrease of R93,4 million. This is mainly due to decreasing conditional government grant funding such as the MIG Flood Grant which has now been spent.

This again highlights the fact that the Municipality is totally dependent on government grants to finance its operations. Conditional grants constitutes 78,0% of total revenue (2012). An amount of R17,2 million was earned on investments and represents 14,5% of available revenue sources.

The adjusted total expenditure for 2012 also declined from R214,5 million to R83,1 million (R153,0 – 21,6 million) which represent a decline of 61,2%.

The deficit for the year of R35,1 million represents the amount which is transferred from the unappropriated surplus account to finance mainly infrastructure and projects from own revenue sources. This deficit is expected to increase slightly in the 2012/13 financial year and should start decreasing to approximately R20 million per annum in the outer years.



D M PILLAY
MUNICIPAL MANAGER

PART 2

KPA ACHIEVEMENT REPORTS

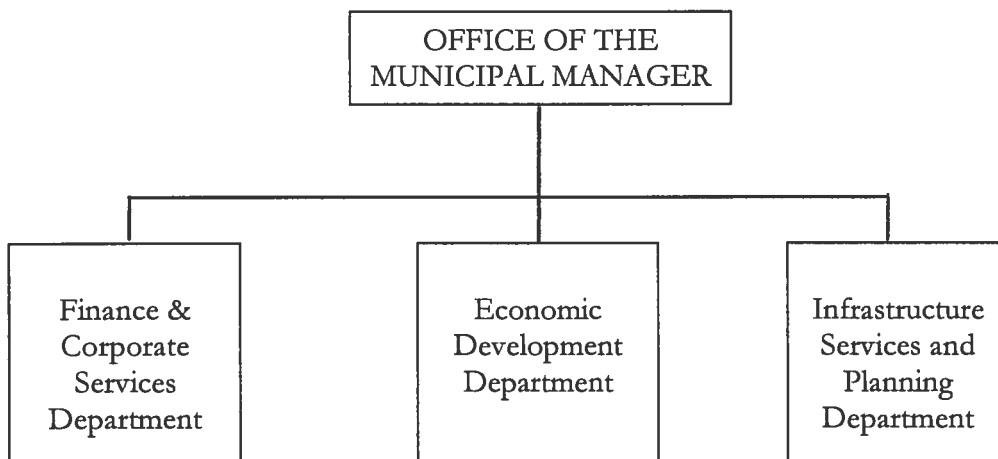
CHAPTER 1 : ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (KPA 1)

PRESENTATION OF THE ORGANISATIONAL STRUCTURE

The total number of approved posts of the Cacadu District Municipality is 105. The number of appointed staff including councilors is 123. The total number of vacant posts is 12. The Macro Organisational Structure is attached as an Annexure to the Annual report - See page 182.

All four performance agreements and employment contracts (Municipal Manager and three section 57 managers) were submitted to the Department of Local Government and Traditional Affairs within the prescribed time.

ADMINISTRATIVE STRUCTURE



MUNICIPAL MANAGER

Mr D M (Ted) Pillay

DIRECTOR : FINANCE AND CORPORATE SERVICES

Mr D de Lange

DIRECTOR : INFRASTRUCTURE SERVICES

Mr B Makedama

DIRECTOR : ECONOMIC DEVELOPMENT

Mr P Kate

GRADING OF LOCAL AUTHORITY

Grade 5

STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR**TRAINING COURSES ATTENDED BY OFFICIALS AND COUNCILORS**

NO	QUALIFICATION	TOTAL NUMBER BENEFITED
1	Project Management	8
2	Business Writing Skills	2
3	Consumer Protection Act and Protection of Personnel Information	2
4	Improving the Working Partnership Between Municipal Management and Political Leadership	15
5	Time Management	2
6	Effective Report Writing and Meeting Co-ordination	5
7	Advanced Excel	2
8	Fire Fighter 1	1
9	Public Sector Monitoring and Evaluation	1
10	Hazmat Awareness Course	1
11	English Grammar Workshop	8
12	Environmental Health National Indicators Standardisation Workshop	3
13	Symantec Endpoint Protection	1
14	Caseware Fundamentals	2
15	Caseware Refresher	4
16	People Management	4
17	Bid Committee Training	15
18	Payroll Benefits	12

STUDY ASSISTANCE AND COUNCIL INITIATED EMPLOYEE DEVELOPMENT

NO	QUALIFICATION	TOTAL NUMBER BENEFITED
1	Diploma: Public Management	1
2	Diploma: Administrative Management	1
3	Higher Certificate: Archives Management	1
4	Honours: Bcom Auditing	1
5	Diploma: Human Resource Management	2
6	Masters: Public Infrastructure	1
7	Programme in Project Management	2
8	Diploma in local government Law and Administration	3
9	Local Government Accounting Certificate	3
10	SAICA/Deloitte Treasury Competency Requirement Project	2

FULL QUALIFICATIONS CO-ORDINATED BY CDM

QUALIFICATION	MUNICIPALITY	TOTAL NUMBER BENEFITED
Local Government Accounting Certificate	Ndlambe	4
	Sundays River	5
	Koukamma	2
	Ikwezi	2
SAICA/Deloitte Treasury Competence Requirements Project	Blue Crane Route	2
	Sundays River	2
	Camdeboo	4
	Ndlambe	3
	Ikwezi	8
	Makana	8

WORKPLACE SKILLS PLAN

A Workplace Skills Plan for 2011/2012 was adopted and implemented.

KEY HR STATISTICS PER FUNCTIONAL AREA

Full time staff complement per functional area

Section 57 and Municipal Manager

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	None
2	Director: Finance and Corporate Services	1	1	None
3	Director: Economic Development	1	1	None
4	Director: Infrastructure Services and Planning	1	1	None
	Total	4	4	4

Office of the Municipal Manager

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager : Capacity Building	1	1	None
2	Senior PMS Officer	1	1	None
3	Senior Admin Officer	1	1	None
4	Special Programmes Officer	1	1	None
5	HIV and Aids Co-ordinator	1	1	None
6	Programme Co-ordinator	1	1	None
7	Personal Assistant	3	3	None
8	PMS Intern	1	1	None
	Total	10	10	0

Water and Sanitation

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Water Services	1	1	None
2	Senior Civil Engineering Technician	1	0	1
	Total	2	1	1

Electricity - CDM does not provide electricity. Electricity in the District is provided by local municipalities through Eskom.

Housing

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Project Manager	1	1	None
2	Senior Civil Engineering Technician	1	1	None
3	Building Inspector	1	1	None
4	Engineering Intern	1	1	None
	Total	4	4	None

Planning Unit

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Head : Planning	1	0	1
2	Development Planner	2	2	None
3	GIS Specialist	1	1	None
	Total	4	3	1

Transport

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Roads and Transport	1	1	None
	Total	1	1	0

Infrastructure Support Services

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Personal Assistant	1	0	1
2	Senior Clerk	1	1	None
3	Word Processing Operator	2	2	None
	Total	4	3	1

Municipal Health

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager	1	1	None
2	Environmental Health Officer	3	3	None
	Total	4	4	0

Disaster Management and Fire Service

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Head : Disaster Management	1	1	None
2	Manager : Operations	1	1	None
3	Manager : Communications and Training	1	1	None
4	Satellite Officers	4	4	None
5	Control room operators	4	4	None
6	Typist Clerk	1	1	None
7	Fire Officer	1	1	None
8	Reservists	7	5	2
	Total	20	18	2

Finance

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Finance	1	1	None
2	Senior Accountants	2	2	None
3	Accountant	4	4	None
4	Assistant Accountant	1	1	None
5	Senior Buyer	1	0	1
6	Cashier Clerk	1	1	None
7	Creditors Clerk	2	2	None
8	Fleet / Asset Management Clerk	1	1	None
9	Finance Archives Clerk	1	1	None
10	Supply Chain Intern	1	1	None
11	Finance Interns	5	2	3
12	Personal Assistant	1	1	None
13	IT Support/Systems Administrator	1	1	None
14	PC Support Technician	1	1	None
15	IT Support Technician Intern	1	1	None
14	Total	24	20	4

Corporate Services

No	Approved positions	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Corporate Services	1	1	None
2	Legal Officer	1	1	None
3	Senior Human Resources Officer	1	1	None
4	Skills Development Facilitator	1	1	None
5	Human Resources Administrator	1	1	None
6	Public Relations Officer	1	1	None
7	Senior Administrative Officer	1	1	None
8	Administration Officers	3	2	1
9	Admin Officer II	1	0	1
10	Senior Archives Clerk	1	1	None
11	Archives Clerks	2	2	None
12	Print Room Operator	1	1	None
13	Messenger	1	1	None
14	General Workers [Tea Services]	3	2	1
15	Typist Clerk	1	1	None
16	Intern: Corporate Services	1	1	None
17	Intern: Public Relations	1	1	None
	Total	22	19	3

Economic Development

No	Approved positions (Ex: Managers/Asst. Managers)	Number of approved posts per position	Filled posts	Vacant posts
1	Manager: Tourism and Marketing	1	1	None
2	Manager: Local Economic Development	1	1	None
3	Manager: Trade and Investment	1	0	Frozen
4	Administration Officer	1	1	None
5	Personal Assistant	1	1	None
6	Tourism Officer	1	0	1
7	Interns	2	2	None
	Total	8	6	1

TECHNICAL STAFF REGISTERED WITH PROFESSIONAL BODIES

Technical Service	Total number of technical service managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
1	3	3	None	1

LEVEL OF EDUCATION AND SKILLS

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professional training
93	2	19	67

TRENDS ON TOTAL PERSONNEL EXPENDITURE

Years	Total number of staff	Total approved Budget	Personal expenditure (salary and salary related)	Percentage of expenditure
2007-2008	243	227 641 835	27 388 171	12,0
2008-2009	233	228 956 396	32 031 001	13,9
2009-2010	240	330 249 565	34 985 144	10,6
2010 - 2011	270	293 166 069	36 073 607	12,3
2011 - 2012	93	191 804 995	38 244 501	19,9

LIST OF PENSION AND MEDICAL AIDS TO WHICH EMPLOYEES BELONG

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape Joint Retirement Fund	40	Bonitas	17
Cape Joint Provident Fund	0	L.A. Health	30
		Hosmed	3
		SAMWU Med	4
		Key Health	0

SENIOR OFFICIALS' WAGES AND BENEFITS - this information is contained in the Annual Financial Statements

IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM

The Performance Management System (PMS) has been implemented and cascaded to all levels of staff in the organization. Performance assessments and reviews are held quarterly. The system was automated in March 2009.

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year
1	Vacancy rate for all approved and budgeted posts;	100%	80%	80%
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	100%	100%	100%
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	100%	50%	50%
4	Percentage of Managers in Technical Services with a professional qualification	100%	100%	100%
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	100%	100%	100%
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	100%	80%	80%
9	Percentage of councillors who attended skills development training within the current 5 year term	100%	80%	80%

10	Percentage of staff complement with disability	The National Employment Equity requirement is 5%	2%	2%
11	Percentage of female employees		78%	78%
12	Percentage of employees that are aged 35 or younger		67%	67%

MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT

- Internal "wildcat" actions by employees who are not on the bargaining scales
- Withdrawal of internal union from all employee activities pending release of required information
- Unfinished appeals process as a result of objections lodged by employees against the job evaluation results

CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

WATER SERVICES

Water services delivery strategy and main role-players:

Includes the co-ordination of water services development planning for the entire District, upgrading of water infrastructure and lobbying for funding. Local Municipalities are the Water Services Authorities and Water Service Providers in the District.

The function is administered by the Department: Infrastructure Services & Planning and includes:

- Development Planning Co-ordination
- Assist local municipalities in developing the required Water Service Authority and Water Services Provider capacity.
- Upgrading of water infrastructure in local municipalities.

Strategic objective

To capacitate local municipalities in the District to provide every household within the District with access to at least a basic level of service and strive to provide an appropriate level of service.

Key issues for 2011/2012

- Completion of the Maintenance Backlog Assessment for the Ndlambe Municipality.
- Rehabilitation of reservoirs in Jansenville (Ikwezi Mun).
- Rainwater harvesting in Paterson (SRVM).
- Installation of Bulk meters in Jansenville (Ikwezi Mun).
- Refurbishment of water treatment plant in Port Alfred (Ndlambe Mun)
- Assistance to Local Municipalities with pre-planning and feasibility studies on their projects.

Levels and standards in water services:

All nine local municipalities are Water Services Authorities and Water Services Provider in the District.

The planning and co-ordination is done by 1 Engineer.

Grants Received: None

Major challenges in water services.

Major challenges are the aging and dilapidated infrastructure in local municipalities.

ELECTRICITY SERVICES

Electricity services delivery strategy and main role-players

The Cacadu District Municipality is not responsible for any energy supply in the district. Council however had two projects in our area of jurisdiction namely:

- Electrification of District Management Area settlements: Wolwefontein and Kleinpoort
- Installation of 350 solar heaters in Rietbron.

SANITATION

Sanitation services delivery strategy and main role-players

Includes all activities related to sanitation services for the District. The sanitation function of the municipality is administered by the Department: Infrastructure Services and includes development planning.

The Strategic Objective of this function is to capacitate local municipalities to provide every household with a basic level of service.

Level and standards in sanitation services

Number of all personnel associated with the sanitation function: 1 Engineer

Grants received: None

Council allocated funds for 1 sanitation project namely:

- Eradication of VIP toilet in Nieu Bethesda (Camdeboo Municipality)

Major challenges in sanitation services.

Water shortages and dilapidated infrastructure in local municipalities

ROAD CONSTRUCTION AND MAINTENANCE

The District Municipality is not responsible for road construction and maintenance. SANRAL is responsible for National Roads and the Provincial Government for regional roads in the District. Roads within towns and settlements are the responsibility of local municipalities.

OVERALL SERVICE DELIVERY BACKLOGS

WATER BACKLOGS

	Piped (tap) water inside dwelling/institution	Piped (tap) water inside institution %	Piped (tap) water inside yard	Piped (tap) water inside yard %	Piped (tap) water on community stand: distance less than 200m from dwelling/institution	Piped (tap) water on community stand: distance less than 200m from dwelling/institution %	Piped (tap) water on community stand: distance between 200m and 500m from dwelling/institution	Piped (tap) water on community stand: distance between 200m and 500m from dwelling/institution %	Piped (tap) water on community stand: distance between 500m and 1000m from dwelling/institution	Piped (tap) water on community stand: distance between 500m and 1000m from dwelling/institution %	Piped (tap) water on community stand: distance greater than 1000m from dwelling/institution	Piped (tap) water on community stand: distance greater than 1000m from dwelling/institution %	No access to piped water	No access to piped water %	Total
Eastern Cape	553,346	32.8	280,041	16.6	313,159	18.6	106,235	6.3	37,844	2.2	22,204	1.3	374,555	22.2	1,687,385
Cacadu	64,041	51.0	43,919	35.0	9,821	7.8	1,999	1.6	666	0.5	370	0.3	4,816	3.8	125,632
Camdeboo	6,830	55.1	5,313	42.8	114	0.9	22	0.2	4	0.0	0	0.0	118	1.0	12,400
Blue Crane Route	5,022	51.4	3,903	40.0	323	3.3	139	1.4	19	0.2	14	0.1	340	3.5	9,761
Ikwezi	1,228	42.1	1,546	53.0	40	1.4	22	0.8	7	0.2	8	0.3	64	2.2	2,915
Makana	10,654	49.8	7,576	35.4	1,839	8.6	240	1.1	86	0.4	74	0.3	919	4.3	21,388
Ndlambe	6,978	36.1	9,648	49.9	1,387	7.2	361	1.9	74	0.4	44	0.2	838	4.3	19,331
Sundays River Valley	4,762	32.3	5,951	40.3	1,639	11.1	566	3.8	127	0.9	127	0.9	1,576	10.7	14,749
Baviaans	3,245	70.4	1,148	24.9	52	1.1	18	0.4	18	0.4	1	0.0	128	2.8	4,610
Kouga	17,796	60.4	6,471	22.0	3,922	13.3	556	1.9	289	1.0	84	0.3	330	1.1	29,447
Kou-Kamma	7,526	68.2	2,361	21.4	505	4.6	75	0.7	43	0.4	18	0.2	504	4.6	11,032

Source: Census 2011

SANITATION BACKLOGS

Geography	Flush toilet (connected to sewerage system)	Flush toilet (connected to sewerage system) %	Flush toilet (with septic tank) %	Flush toilet (with septic tank)	Flush toilet (with septic tank) %	Chemical toilet	Chemical toilet %	Pit toilet with ventilation (VIP)	Pit toilet with ventilation (VIP) %	Pit toilet without ventilation	Pit toilet without ventilation %	Bucket toilet	Bucket toilet %	None	none %	Other	Other %	Total
Eastern Cape	681951	40.4	42974	2.5	51297	3.0	233900	13.9	340447	20.2	38845	2.3	214439	12.7	83532	5.0	1687385	
Cacadu	80148	63.8	12376	9.9	1043	0.8	4140	3.3	11303	9.0	6292	5.0	6033	4.8	4299	3.4	125632	
Camdeboo	10180	82.1	899	7.3	7	0.1	205	1.7	274	2.2	109	0.9	582	4.7	144	1.2	12400	
Blue Crane Route	7856	80.5	395	4.0	25	0.3	83	0.9	327	3.4	277	2.8	617	6.3	180	1.8	9761	
Ikwezi	2012	69.0	424	14.5	2	0.1	19	0.7	90	3.1	109	3.7	241	8.3	18	0.6	2915	
Makana	15370	71.9	548	2.6	27	0.1	1349	6.3	2086	9.8	774	3.6	837	3.9	398	1.9	21388	
Ndlambe	6868	35.5	4831	25.0	337	1.7	1032	5.3	3978	20.6	159	0.8	570	2.9	1556	8.0	19331	
Sundays River Valley	7894	53.5	767	5.2	85	0.6	531	3.6	2592	17.6	1086	7.2	967	6.6	847	5.7	14749	
Baviaans	3363	73.0	484	10.5	3	0.1	116	2.5	166	3.6	167	3.6	214	4.6	98	2.1	4610	
Kouga	19100	64.9	3215	10.9	463	1.6	389	1.3	1119	3.8	3292	11.2	1367	4.6	503	1.7	29447	
Kou-Kamma	7505	68.0	813	7.4	94	0.9	416	3.8	672	6.1	339	3.1	638	5.8	556	5.0	11032	

Source: Census 2011

CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

Cacadu is the third biggest economy of the Province, contributing nearly 10% to the provincial Gross Value Add (GVA). The biggest sectors both in terms of Gross Domestic Product (GDP) and employment within the district is trade (including retail and tourism) with 15% and 22% respectively, followed by agriculture with 10% and 22% respectively and community services (including government) with 32% and 21% respectively. Finance contributes 21% and 4% respectively.

Manufacturing (GDP: 9%; employment: 7%), transport (GDP: 7%; employment: 4%) and construction (GDP: 4%; employment: 10%) are the smallest sectors of the district economy.

3.1 BRIEF PRESENTATION OF THE DISTRICT ECONOMIC DEVELOPMENT STRATEGY

In order to stimulate economic growth and to create new jobs, Cacadu focuses on:

Investing in natural capital

- Creating green jobs and local income streams rooted in renewable energy.
- Growing the rural tourism economy based on natural capital through agriculture-, adventure- and eco-tourism initiatives.

Broadening economic participation

- Promoting BEEs, SMMEs and co-ops.
- Establishing community-based projects.
- Promoting social investments.

Developing the skills base

- Improving the quality and quantity of school education and early childhood development.
- Creating further education opportunities linked to employment in the region.
- Developing skills transfer partnerships between established and emerging farmers and businesses.

Regenerating "core" towns

Urban regeneration projects focused on upgrading of CBDs and historic districts.

- Promote tourism and niche services and manufacturing based on identifying competitive advantages.
- Ensuring that essential administrative and regulatory functions are undertaken by the municipalities and that municipal infrastructure is maintained and upgraded in order to support growth and development.

Building local and regional networks

- Strengthening inter-governmental relations with local municipalities as well provincial and national government involved in LED.
- Building partnerships to improve economic competitiveness and resilience.

- Creating a positive image of the region amongst public and private investors and building relationships with them.

Agriculture is one of the most important economic drivers in the district and contributes significantly to the provincial economy; statistics indicate that Cacadu is the largest producer of agricultural goods in the Eastern Cape and that around 4,000 people are employed in agro-processing industries.

The district is envisaging to increase agricultural income through:

- Growing national and international markets for agricultural output.
- Facilitating investments in local and regional agro-processing plants to increase product demand and improve prices.
- Investing in research and knowledge sharing to improve the quality and resilience of crops and livestock.
- Supporting local and regional food systems that keep wealth in rural communities.

3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES

3.2.1 Agricultural Mentorship programme

Although emerging farmers often have basic agricultural skills or have received some training, most are lacking the capacity needed to manage a farm as a viable business, resulting in the deterioration of the assets (land, infra-structure, stock etc.) and thus threatening food security. Hence, agricultural mentorship that goes beyond mere training and extends over a longer period is urgently needed.

With the purpose of developing and implementing an agricultural mentorship strategy, the Cacadu District Municipality entered into an agreement with the German Inter-national Cooperation (GIZ) in March 2009.

Although the need has been identified across the sector, the Agricultural Mentorship Programme in Cacadu is the first of its kind and the only one that is being rolled out at District level in South Africa. While other initiatives often stop at the planning stage and due to a lack of resources, a number of results at different levels have been achieved in Cacadu

The core objective of the agricultural mentorship strategy is to set up and implement a system of a structured long-term skills transfer from successful commercial farmers to emerging farmers in order to enable them to convert their farms into sustainable businesses. For this purpose, an experienced commercial farmer is contracted as a mentor in order to develop not only the production related skills but also to address management, financial and marketing skills of the beneficiaries of a selected project. The mentor is then working with the beneficiaries on the farm over a period of approximately three years, depending on the complexity of the commodity produced and the original skills level of the beneficiaries.

During the last three years, **significant progress has been made**. Cacadu has provided substantial investment towards the implementation of the mentorship programme to cover all mentor-ship fees.

Close to 25% of Cacadu's Economic Development budget is committed to the mentorship programme which is considered a key driver towards implementation of the IDP and LED Strategy.

Moreover, Cacadu is currently in the process of developing practical guidelines that provide step-by-step guidance for the implementation of the mentorship programme, allowing for the realisation of the programme in other parts of the country.

The mentorship programme is well anchored within the Cacadu District and has become a flagship programme of the municipality with a long-term perspective and the potential to be applied in other sectors as well.

As results of the mentorship are becoming increasingly visible, national level stake-holders are starting to pay particular attention to the mentorship programme.

3.2.2 Strengthening LED Capacity At Local Municipal Level

3.2.2.1 *LED District Support Team*

The DST is anchored around the District LED units. Their core comprises District LED officers, regional officers of DEDEA, DCGTA, the DoARD, DSD, the ECDC and Local Municipalities' representatives. The District Support team developed an annual action plan for 2011/12 financial year that was centered around the following focal areas:

- LED understanding
- Socio-Economic intelligence
- Programme and Project development and management

The District Municipality, supported with funding from Thina Sinakho EU programme, developed an LED conceptual Framework as one of the key elements of the DST operational plan. The overall objective of the development of the LED conceptual framework is to strengthen the Cacadu LED District Support Team as a catalyst for a new found LED consciousness, as well as the effective facilitation of LED in the district. This project was concluded successfully at the end of March 2012.

3.2.2.2 *Economic Intelligence System*

This is also a project that Cacadu District Municipality, through grant support of the Thina Sinakho EU programme, implemented successfully in the 2011/12 Financial Year.

The specific objective of the project was for Cacadu District Municipality to host a district-wide economic development information management and decision support system which will provide accurate data and information to guide economic development planning, management and accountability at all levels of government as well inform the private sector on the economic prospects of the region. This system is linked with the current Geographical Information System (GIS) of the district.

3.2.2.3 Critical Developmental Dialoguing

The District Municipality undertook an international study tour to Ireland on the 18-27th November 2011. The delegation was led by the Executive Mayor Ms Khunjuzwa Kekana. The tour group comprised of seven LED officials of the district, one sector department official from Provincial department of Local Government, an official from ECDC and two mayors from Ndlambe and Ikhwezi Local Municipalities.

The project was co-funded by Thina Sinakho EU grant and Cacadu District Municipality. The study tour provided a rich stream of learning and exchange of experience. It enabled decision-makers and officials from the District to take stock of and reflect on LED policy in South Africa – its structures and policy framework and delivery – against the models for local, rural and regional development encountered in Ireland/Northern Ireland.

Participants returned full of enthusiasm and new ideas for stimulating and sustaining local economic development through local initiative. Many of the ideas and learning have been captured in the Study Tour Report which has been circulated widely in the District.

3.2.3 District SMME Strategy/Plan

Acknowledging the importance of SMME's, and responding to the challenges and opportunities spelt out in the Integrated Development Plan, the District-Wide Economic Growth and Development Strategy (EGDS), the District Growth and Development Summit, and the Provincial Growth and Development Plan, the Cacadu District Municipality commissioned an SMME assessment study that has resulted in a comprehensive SMME Development Strategy for the District.

Strategic Objectives

1. To improve access to market-driven and sustainable business development support services for the informal, micro, small and medium-sized enterprises in both urban and rural areas.
2. To strengthen the planning, coordination and institutional capacity for SMME support in the district thus ensuring the creation of an enabling and conducive environment for SMMEs.
3. To establish effective and functional partnerships with key provincial and national institutions, as well as escalating the promotion of the economic opportunities across the district.
4. To diversify the existing SMME development base through agriculture, environmental management, tourism and manufacturing development.
5. To increase women, youth and black participation in the entrepreneurial and SMME development sector of the District and its economy.
6. To increase the number of start-ups, and the number of existing enterprises that accelerate beyond survivalist stage.

These strategic objectives set out a performance measure for this SMME Strategy and are generally congruent with those set-out in the Provincial Growth and Development Plan of the Eastern Cape, which seeks to increase the number of start-ups and boost the growth prospects of existing enterprises in the district.

3.2.3.1 *District partnership with Seda*

The period under review has been very slow for business. The feedback from the Seda offices is that very few of the people that visited the office had any concrete or feasible business ideas. The opportunities for new businesses are scarce in these areas mainly due to the small markets.

The slowdown in the economy and the lack of disposable income has also hampered business in general in these areas and has reduced the feasibility of starting up new businesses.

Various activities were undertaken to stimulate the generation of business ideas. In collaboration with Trade Point two companies were assisted in developing their export markets through international business linkages, international trips and exhibitions and business development support.

Due to the fact that very few of the entrepreneurs that visit the office have concrete business ideas, the bulk of the services offered are information dissemination and training. In this reporting period, over 330 people were trained and 43 improvement interventions (excluding training) to the value of R 632 347.00 were implemented.

Three co-operatives were successfully assisted to access grant funds from the Department of Trade and Industry through the Cooperative Incentive Scheme (CIS)

There were 13 success stories that emanated from these interventions.

3.2.3.2 *Mobilisation, Coordination of Cooperatives into a District Cooperatives Forum and Development of the District Cooperative Data base.*

This project commenced during the period under review and will be completed in 2012/13 Financial Year. Cacadu District Municipality commissioned a service provider for the coordination and establishment of an appropriate mechanism/structure to support the sustainability of Cooperatives in the District. It also included an investigation into the business opportunities for this sector in Cacadu District Municipal area, within the context of the regional economy of the area, for the purpose of development and investment in the Cooperative Sector.

The overall objective of the exercise is to create, empower and inform the development of, and investment in, Cooperative Sector in the area of the Cacadu District Municipality for the purpose of up-stream and down-stream business opportunities, beneficiation and employment creation and increased contribution of the Cooperative sector as a key player in the regional economy.

3.2.4 Rural Economic Development Initiative (REDI) in Partnership with the Development Bank of Southern Africa (DBSA)

The Cacadu Rural Economic Development Initiative (REDI) is a partnership between Cacadu District Municipality, the Development Bank of Southern Africa (DBSA) and other major stakeholders in our region aimed at identifying and unlocking economic potential. The idea is to build a strong strategic relationship between municipality, local and regional stakeholders aimed at catalysing an economic turn-around.

The following progress has been made with selected REDI projects:

3.2.4.1 *CDM Renewable Energy Seminar*

The REDI team organised and facilitated a Renewable Energy Seminar for the District in November 2011. The primary purpose of this seminar was to present information related to renewable energy to local government political and administrative decision makers so that municipalities understand the context of and trends within this emerging sector, understand the various options related to socio-economic development and land use management and, based on this knowledge, may make sound decisions in terms of renewable energy.

Eight of the nine local municipalities participated in this seminar at which experts in the renewable energy field presented issues related to land use management, provincial programmes and plans, socio-economic benefits to local communities, renewable energy solutions for local municipalities and possible capacity building programmes for local government.

3.2.4.2 *Fonteinbos Nature Reserve*

The project aims to restore as many hectares possible of highly degraded Karoo and sub-tropical thicket habitat in the region between Aberdeen and Jansenville, and lay the foundation for a district-wide restoration programme funded by companies looking for environmental offsets. The focus of the programme is linking ecosystem restoration and job creation.

The first phase focussed on planning and designing a large restoration initiative, and constructing a restoration nursery at Fonteinbos Nature Reserve. All necessary planning has been completed and construction of the nursery has been completed. 22 temporary jobs were created during the construction of the nursery.

3.2.4.3 *Camdeboo Aquaculture Satellite Project*

The Camdeboo Satellite Aquaculture Project (CSAP) proposes a commercially viable fish production venture through the establishment of aquaculture clusters, each consisting of a central management farm and a network of satellite farming systems, which will benefit from economies of scale through their collaborations. The freshwater fish produced will be canned in order to increase shelf life and sold at an affordable price in order to fulfill the growing gap caused by the reduction in the annual pilchard quota.

The project has entered its third (of four) phases. The focus of the third phase is the commencement of the incubation phase of the project. To this end, the first 20 beneficiaries of the project, all women, have undergone an extensive 18 month training programme in preparation for the incubation phase.

3.2.4.4 *EC pineapple beneficiation project*

NNIP have successfully extracted and processed MCC from pineapple fibre. A market assessment to determine the market demand for MCC is currently underway.

Based on the success of the MCC pilot project, the first phase of the post-harvest production facility at Bathurst has been established and twenty (20) permanent jobs have been created. Post-harvest production involves the extraction of fibre from pineapple leaves (i.e. sorting and sieving) and spraying, drying and milling of the fibre to prepare a suitable product for input into the production of MCC. It is important to note that while the technology exists to automate these processes, NNIP has elected to use labour-intensive methods of post-harvest production. The photograph included in this report shows workers spraying pineapple leaves.

3.2.5 Tourism development and marketing

3.2.5.1 Support To Local Tourism Organisations

The Cacadu District Municipality, in its Integrated Development Plan, committed to rendering financial support to local tourism organizations located in the District. The primary aim of this support is to assist in efforts to market destinations within the district.

During the financial year under review, the Cacadu District Municipality has supported Baviaans, Blue Crane Route, Camdeboo, Makana, Sundays River Valley and Ikwezi Local Tourism Organisations, by providing funding to these organizations to continue to promote important tourism nodes in the district, thereby increasing the number of tourists into the district.

3.2.5.2 Support To Festivals And Events

Numerous local, national and international festivals take place within Cacadu District Municipality each year. The District has provided financial support to two festivals during the year under review.

Support to the National Arts Festival in 2012 from the Cacadu District Municipality is based on five key projects: Media Hosting and Welcoming, Promoters Hosting, Cacadu Productions, "A Better Life" project, Cradle of Creativity branding and marketing. Their primary focus of these projects was to embark on sustainable development of local talent and create space for local artists to perform other festivals around the world.

The Cacadu District Municipality also supported Biltong Festival in Kirkwood. The primary focus of the project was the development of local artists in order to enable them to get an opportunity to perform at the Festival.

3.2.5.3 Support To Tourism Education And Training

The Cacadu District Municipality has supported Wilderness Foundation as a conservation and leadership organization which is project-driven and strives to create opportunities for economic and social equality. It achieves its mission by initiating and implementing programs, concentrated in four main areas: Conservation; Social Intervention; Advocacy and Awareness; and Experiential Education.

Umzi Wethu, a programme of Wilderness Foundation is an outcome of a Social Intervention by Wilderness Foundation which identified a need to establish a training institution in the Blue Crane

Route Municipality, that trains students from the Cacadu District and places them in areas of employment concentrating mainly in conservation and hospitality disciplines.

Wilderness Foundation operates two Umzi Wethu Academies that together have trained, graduated, and placed in jobs thirteen intakes of students since the programme's inception four years ago. The most recent two intakes graduated in mid July 2012.

3.2.5.4 Development Of Tourism Statistics System

Cacadu District Municipality undertook tourism research to identify the number visitors to the District. The objective of the research was based on:

1. Conducting pilot tourist visitor and product owner surveys in selected locations in the Cacadu District over the summer (December / January) season.
2. Development of an on-line tourism statistics database for the CDM which will allow users throughout the CDM to access reliable statistics on tourism in the area, and update the statistics based on future surveys conducted in the local areas. The system was populated with the data collected in the pilot tourism surveys and it has been installed and linked with the Travelcacadu website.

Visitor surveys were conducted in 12 towns in five local municipalities by surveyors based in those towns. This exercise will be performed in other local municipal areas during 2012/13 financial year.

3.2.5.5 Cacadu "7 Wonders of our World" campaign

The Cacadu District Municipality continued to roll-out its "Seven Wonders" campaign, in terms of which seven tourism destinations within the District were vigorously marketed.

The campaign was again piloted at the WTM held during November 2012 in London, ITB held during March 2012 in Berlin as well as at the 2012 Tourism Indaba held in Durban and Gauteng Getaway Show in Johannesburg.

The Cacadu District Municipality has won a number of wards during the previous two financial years as a result of the Campaign.

3.3 **ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED**

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	60%	2	30%
2	Number of LED stakeholder forum meetings held. In the case of CDM, it is DST and REDI	6 DST meetings 4 REDI meetings	5	100%
3	Percentage of SMMEs that have benefited from a SMME support programme	1000	3	34%
4	Number of job opportunities created through EPWP	132	793	600%
5	Number of job opportunities created through PPP	0	0	0

3.4 **CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION**

- Lack of funding from Municipalities
- Lack of bankable business plans
- Poor planning
- Lack of resource mobilisation strategies

CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

AUDITED FINANCIAL STATEMENTS (AFS)

The Audited Financial Statements for 2011/2012 financial year appear on Pages 38 - 109.

BUDGET TO ACTUAL COMPARISON

Included in AFS as above

GRANTS AND TRANSFERS' SPENDING

Included in AFS as above

MEETING OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

All conditions were met.

LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

During the financial year, the municipality has entered into the following long term contracts:

- KPMG has been appointed as the municipality's internal auditors during 2009/2010. They will be responsible for the complete function of internal auditing and the contract is for a period of five years
- Suid Kaap Waardeerders has been appointed as the valuers for the municipality's assets for three years of which one year is still left.
- Impumulelo Computing has been appointed in 2009/2010 to perform information technology management and related services for a period of 3 years.
- Carlson Wagon has been appointed in 2010/2011 to perform travel agency services for a period of 3 years.
- OMA Chartered Accountants Inc has been appointed in 2011/2012 to perform VAT audit, VAT apportionment calculation and related services for a period of 3 years.

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	7.8 mil	1.9 mil	24%
2	Salary budget as a percentage of the total operational budget	25.3%	19.9%	
3	Total municipal own revenue as a percentage of the total actual budget	10.4%	9.5%	
4	Percentage of FMG budget appropriately spent	1.25 mil	1.25 mil	100%
5	Percentage of MSIG budget appropriately spent	1.0 mil	0.78 mil	78%

EQUITABLE SHARE WITHHELD (R21 987 000)

The Cacadu District Municipality has since July 2011 endeavored to resolve the matter relating to the withholding of its equitable share in respect of “unspent” MIG grants to repair flood damaged roads and infrastructure in the district.

The Municipality had until recently not recognized the VAT input tax on conditional grant expenditure as own revenue on the MIG grants. The Municipality **intentionally** left the VAT input tax which is the Municipality’s own revenue, in the MIG conditional grant account effectively ring-fencing the funds for financing of infrastructure projects in the district.

The Municipality is confident that the matter will be resolved and that the outstanding amount of equitable shares that it is entitled to will be paid to CDM by National Treasury. In view of the fact that the Auditor General was advised by National Treasury that they would not be paying the amount to CDM, the full amount of R 21 987 000 was impaired in the annual financial statements.

In November 2012 the Council resolved to appoint a VAT expert to assist the Municipality to collect the amount.

AUDIT COMMITTEE FUNCTIONALITY

See report by Audit Committee attached as an Annexure on pages 182 to 185.

ANTI CORRUPTION STRATEGY

Council approved the Anti-Corruption Strategy and Fraud Prevention Plan on 29 August 2007.

The members of the Anti –Fraud and Corruption Committee are:

- Chairperson of the Audit Committee or any other member of the Audit Committee should the chairperson not be available;
- Internal Auditor;
- Municipal Manager; and
- Departmental Heads

The Council also approved the Whistle Blowing Policy and guideline for Fraud and Corruption investigation.

The awareness campaign was launched in January 2009 and more awareness interventions are planned.

The anti-corruption and risk management committees were also combined.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2013 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 38 to 109, which have been prepared on the going concern basis, were approved by the Accounting Officer on 27 November 2012 and signed hereunder.

DM Pillay
Municipal Manager
11/27/2012

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Short-term portion of long-term receivables	4	-	11,426
Trade and other receivables	5	591,587	814,831
Other receivables from non-exchange transactions	6	1,486,659	2,283,164
VAT receivable	7	1,551,335	6,953,556
Deposits paid	8	22,910	21,410
Cash and cash equivalents	9	268,613,446	305,951,477
		272,265,937	316,035,864
Non-Current Assets			
Investment property	10	14,525,500	14,253,500
Property, plant and equipment	12	68,520,402	68,444,885
Intangible assets	11	86,885	86,885
Long-term receivables	4	7,862	4,177
		83,140,649	82,789,447
Total Assets		355,406,586	398,825,311
Liabilities			
Current Liabilities			
Short-term portion of long-term liabilities	13	-	21,890
Unspent conditional grants	14	30,686,964	38,595,991
Trade and other payables from exchange transactions	15	12,407,370	11,630,574
Provisions	16	930,799	460,275
Short-term portion of post-employment medical benefit	17	3,674,884	3,404,628
		47,700,017	54,113,358
Non-Current Liabilities			
Long-term portion of post-employment medical benefit	17	54,374,371	55,770,367
Total Liabilities		102,074,388	109,883,725
Total assets less liabilities		253,332,198	288,941,586
Net Assets			
Revaluation reserve	18	77,770,863	78,307,028
Unappropriated surplus	19	175,561,335	210,634,558
Total Net Assets		253,332,198	288,941,586

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Rental income	23	1,107,274	1,111,276
Tariffs and charges	23	-	263,394
Property rates	23	-	366,996
Government grants and subsidies	22	91,681,555	179,888,067
		92,788,829	181,629,733
Other income			
Actuarial gain on post employment medical benefit	17	3,067,385	-
Other revenue	23	3,778,799	5,561,627
Income from agency services		20,941	32,640
Investment interest	23	17,158,977	22,986,979
Gains on disposal of assets	23	352,996	-
Fair value adjustments		773,987	1,083,000
		25,153,085	29,664,246
Operating expenses			
Depreciation	12	(1,553,547)	(3,052,619)
Impairment	12	(164,505)	(1,447,316)
Discounting of post employment medical benefit	17	(5,234,074)	(4,650,930)
Actuarial loss on post employment medical benefit	17	-	(3,218,610)
Employee costs	24	(38,244,501)	(36,073,607)
Bulk purchases	27	-	(6,310)
Collection costs		(977)	(11,023)
Conditional grant expenditure	28	(17,496,177)	(100,971,595)
Other grants and subsidies paid	28	(8,722,556)	(10,793,553)
Contracted services		(2,673,975)	(3,241,827)
Increase / Reduction in debt impairment		(21,613,465)	62,807
General expenses - other		(55,552,704)	(42,460,794)
Loss on donation of assets		-	(7,465,654)
Repairs and maintenance		(573,953)	(1,035,886)
Bad debts written off		(1,183,546)	(99,293)
		(153,013,980)	(214,466,210)
Operating deficit		(35,072,066)	(3,172,231)
Finance costs	26	(1,157)	(11,131)
Deficit for the year		(35,073,223)	(3,183,362)

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Statement of Changes in Net Assets

Figures in Rand	Notes	Revaluation reserve	Unappropriated surplus	Total net assets
Opening balance as previously reported		74,738,111	176,824,260	251,562,371
Adjustments				
Prior year adjustments (refer to note 29)		-	37,884,387	37,884,387
Balance at July 01, 2010 as restated		74,738,111	214,708,647	289,446,758
Changes in net assets				
Revaluations (refer to note 18)		3,077,631	-	3,077,631
Reversal of impairment previously in revaluations (refer to note 18)		491,286	-	491,286
Direct transfer from Dept of Health Accumulated Surplus		-	(890,727)	(890,727)
Prior year adjustments (refer to note 29)		-	11,844,022	11,844,022
Deficit for the year		-	(15,027,384)	(15,027,384)
Total recognised income and expenses for the year		3,568,917	(4,074,089)	(505,172)
Total changes		3,568,917	(4,074,089)	(505,172)
Balance at July 01, 2011		78,307,028	210,634,558	288,941,586
Changes in net assets				
Deficit for the year		-	(35,073,223)	(35,073,223)
Revaluations (refer to note 18)		(173,665)	-	(173,665)
Reversal of impairment previously in revaluations (refer to note 18)		(362,500)	-	(362,500)
Total changes		(536,165)	(35,073,223)	(35,609,388)
Balance at June 30, 2012		77,770,863	175,561,335	253,332,198
Note(s)		18	19	

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
<u>Cash flows from operating activities</u>			
Receipts			
Grants		83,772,528	82,954,663
Interest income		17,158,977	22,986,979
Other receipts		11,328,984	4,549,609
		<u>112,260,489</u>	<u>110,491,251</u>
Payments			
Employee costs		(37,773,977)	(36,020,888)
Cash paid to suppliers		(28,892,708)	(115,006,975)
Finance costs		(1,157)	(11,131)
Other payments		(80,314,537)	(22,812,527)
		<u>(146,982,379)</u>	<u>(173,851,521)</u>
Net cash flows from operating activities	30	<u>(34,721,890)</u>	<u>(63,360,270)</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	12	(1,724,752)	(2,237,855)
Proceeds from sale of property, plant and equipment		250,000	-
Decrease in deposits paid		(1,500)	3,600
Decrease in long term receivables		7,741	26,071
		<u>(1,468,511)</u>	<u>(2,208,184)</u>
Net cash flows from investing activities		<u>(1,468,511)</u>	<u>(2,208,184)</u>
<u>Cash flows from financing activities</u>			
Repayment of other financial liabilities		(1,125,740)	4,902,523
Finance lease payments		(21,890)	(87,173)
		<u>(1,147,630)</u>	<u>4,815,350</u>
Net cash flows from financing activities		<u>(1,147,630)</u>	<u>4,815,350</u>
Net increase/(decrease) in cash and cash equivalents		(37,338,031)	(60,753,104)
Cash and cash equivalents at the beginning of the year		305,951,477	366,704,581
Cash and cash equivalents at the end of the year	9	<u>268,613,446</u>	<u>305,951,477</u>

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1. Reporting Entity

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.1 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

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

The entity has elected to early adopt the principles of the following requirement(s) in GRAP:

GRAP 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers) - The entire standard

Basis of Measurement

The financial statements have been prepared on the accrual basis except for Land and Buildings, which are at fair value.

Use of estimates and judgements

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

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

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

Offsetting

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

1.2 Presentation of currency

These annual financial statements are presented in South African Rand.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.3 Going concern assumption

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

1.4 Property, plant and equipment

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

Recognition

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

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

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is assumed to have an indefinite life.

CDM has adopted the cost model for all classes of PPE except for Land and Buildings for which the fair value method has been adopted.

Land and Buildings will be revalued every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.4 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation

Property, plant and equipment is depreciated on the straight line basis over its expected useful life to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at a/the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

	<u>Years</u>
Buildings	50
Specialised Vehicles	5-20
Electricity	5-30
Motor vehicles	5-10
Water	5-20
Office Equipment	2-10
Sewerage	15-20
Furniture and Fittings	7-15
Bins and Containers	5-10
Specialised plant and equipment	5-15
Computer equipment	2-10

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.4 Property, plant and equipment (continued)

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment

The municipality assesses at each Statement of Financial Position date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Derecognition

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

Gains and losses

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.5 Provisions

Provisions are recognised when:

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32 and 33.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.6 Employee benefits

Defined contribution plans

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

Defined benefits

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

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

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

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

Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Municipality as the lessor

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

Municipality as the lessee

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

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

1.8 Investments

The municipality classifies its investments as "Loans and receivables".

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

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

Investments are initially measured at fair value and subsequently at amortised cost if material.

1.9 Trade and other receivables

Accounts receivable are classified as "Loans and receivables" and are initially recognized at fair value. Subsequent measurement is at amortised value if material. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

CACADU DISTRICT MUNICIPALITY

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Accounting Policies

1.10 Trade and other payables

Trade and other payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value if material.

1.11 Revenue

Revenue comprises the cost of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is measured at the fair value of the consideration received or receivable net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the municipality. Revenue is recognised as revenue from exchange transactions and revenue from non exchange transactions.

1.12 Revenue from exchange transactions

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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

Interest and rentals are recognised on a time proportion basis.

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

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

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

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met, or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.13 Revenue from non-exchange transactions

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

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

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

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

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

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

1.14 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

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

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

CACADU DISTRICT MUNICIPALITY

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Accounting Policies

1.15 VAT

VAT is payable on the receipts basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once payment is made to a creditor.

The net VAT is either classified as "Loans and receivables" or "Financial liabilities at amortised cost".

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost if material.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.16 Segmental information

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

1.17 Unauthorised expenditure

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

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.18 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Fruitless and wasteful expenditure

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

1.20 Comparative information

Budget information in accordance with GRAP 1 has been provided in the notes to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated and the nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 Borrowing costs

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

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.22 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act 56 of 2003.

When making these transfers, CDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period with which the events giving rise to the transfer occurred.

1.23 Investment property

Initial recognition

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

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

Subsequent measurement - fair value model

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

Revaluation will take place every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

Gains or losses

The gains and losses arising from the derecognition of investment properties (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.24 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired, provision for impairment will be made.

Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.25 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.25 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Cash and cash equivalents

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

Cash and cash equivalents are classified as "Loans and receivables" and are initially measured at cost. Subsequent measurement is at face value or, if material, at amortised value.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

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

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.25 Financial instruments (continued)

Derecognition:

Financial assets

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

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

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.26 Non-current assets held for sale and disposal groups

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

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

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

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

1.27 Unutilised conditional grants

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.27 Unutilised conditional grants (continued)

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The spent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.29 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

1.30 Consolidation of Kouga Development Agency (KDA)

The municipality has a 50% interest in the Kouga Development Agency (KDA) which was established in joint venture with the Kouga Municipality as a multi-jurisdictional service utility in terms of the Local Government Systems Act, 2000.

The consolidated annual financial statements reflecting the joint venture, will be based on the equity method.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared on the same reporting date. Adjustments are made when necessary to the annual financial statements of the controlled entities, to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.30 Budget information

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

CACADU DISTRICT MUNICIPALITY

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2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

3. New standards and interpretations

There were no new standards and interpretations during the financial year.

4. Long-term receivables

Loans to Kouga Local Municipality	-	11,426
Staff loans	7,862	4,177
	<u>7,862</u>	<u>15,603</u>

Classified as a financial asset: Loans and receivables and subsequently measured at amortised cost.

The loan to Kouga Local Municipality is an unsecured loan that bears interest at 14.25% per annum and was payable in 30 installments paid biannually.

Staff loans relates to study loans paid on behalf of employees to tertiary institutions for the futherling of the employees' development. These loans are repaid monthly in terms of the agreements with the applicable staff.

Long-term receivables	7,862	4,177
Short-term portion of long-term receivables	-	11,426
	<u>7,862</u>	<u>15,603</u>

5. Trade and other receivables

Debtors to be transferred to Local Municipalities due to the disestablishment of the DMA	-	884,442
Salaries and Wages Debtors	331,971	333,244
Deposit paid on PPE purchases	-	200,936
General Debtors	39,850	-
Accrued Rent	213,614	174,969
Rental	6,152	3,529
Trade and other receivables (impairments)	-	(782,289)
	<u>591,587</u>	<u>814,831</u>

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2012, R 591,587 (2011: R 814,831) were past due but not impaired.

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

1 month past due	264,046	461,240
2 months past due	169	30,723
3 months past due	327,372	322,868

CACADU DISTRICT MUNICIPALITY

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5. Trade and other receivables (continued)60

Trade and other receivables impaired

As of June 30, 2012, trade and other receivables of R 0 (2011: R 782,289) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	-	94,317
Over 6 months	-	687,972

6. Other receivables from non-exchange transactions

General	24,406,524	2,426,032
Levies	-	1,156,204
Department of Housing (housing scheme)	9,231,380	9,231,380
Nelson Mandela Bay Municipality Debtors Bank Deposits	-	5,788
Allowance for impairment	(32,151,245)	(10,536,240)
	<u>1,486,659</u>	<u>2,283,164</u>

The general receivables includes an amount of R21 987 000 owed to the municipality by National Treasury. This amount was withheld by National Treasury from the equitable share allocation for the 2011/2012 financial year. This relates to the input tax amount which was not recognised as revenue, and was incorrectly accounted for by retaining the input tax in the conditional grant balance. This has subsequently been corrected.

Levies: Ageing

+90 Days	-	1,156,720
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Other receivables past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired.

Other receivables older than 3 months not considered to be impaired, are amounts due by East Cape Department of Health. At June 30, 2012, R 1,412,550 were past due but not impaired. Interaction with East Cape Department of Health remained positive in the current year and payment is expected within the next financial year.

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

1 month past due	-	987,641
2 months past due	56,093	25,209
3 months past due	-	57,625
Eastern Cape Department of Health +3 months past due	1,412,550	1,212,929

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6. Other receivables from non-exchange transactions (continued)

Receivables impaired

As of June 30, 2012, receivables of R 32,151,245 (2011: R 10,536,240) were impaired and provided for.

The equitable share amounting to R21 987 000 has been withheld by National Treasury due to the previously incorrect treatment of VAT. Although National Treasury failed to acknowledge the debt, the municipality will be pursuing the full recoverability of the funds even though the amount is impaired.

The ageing of these receivables is as follows:

1 to 3 months	21,987,000	-
3 to 6 months	305,025	25,818
Over 6 months	9,859,220	10,510,422

7. VAT receivable

VAT	1,551,335	6,953,556
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All VAT returns have been submitted by their due dates throughout the year.

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

No discounting was performed.

8. Deposits paid

Deposits - Electricity	5,000	5,000
Deposits - Parking	9,000	9,000
Deposits - Parking Grace Street	1,410	1,410
Deposits - Post Office	7,500	6,000
	22,910	21,410

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,100	8,100
Bank balances	-	4,563,153
Short-term deposits	269,113,761	301,380,224
Cash book balance	(506,415)	-
	268,613,446	305,951,477

Short-term deposits

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest.

The fair value of cash and cash equivalents approximates their carrying amounts.

No cash deposits were ceded as collateral

CACADU DISTRICT MUNICIPALITY

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9. Cash and cash equivalents (continued)

The return on investments for 2012 fluctuated between 5.45% and 6.75%. (2011: 5.6% and 8.05%).

Interest on investments accrued	1,113,761	1,380,224
Cash deposits	263,000,000	290,000,000
Call Account Deposits	5,000,000	10,000,000
Total short-term deposits	269,113,761	301,380,224

Allocation of external investments

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

Post employment medical benefit	58,049,255	59,174,995
Unspent Conditional Grants and Receipts	30,686,964	38,595,991
Infrastructure projects from Levies	3,978,225	5,206,881
Accrued leave pay	2,149,473	2,075,027
Unappropriated surplus	173,749,529	200,898,583
Total	268,613,446	305,951,477

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9. Cash and cash equivalents (continued)

CDM has the following bank account

Bank details	Bank statement balances		Cash book balances	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2010
ABSA Limited 32 Govan Mbeki Avenue Port Elizabeth Current Account (Primary account): 1640-000-062	2,470,872	4,124,669	(506,415)	20,998,929

10. Investment property

	2012		2011	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	14,525,500	-	14,253,500	-
Reconciliation of investment property - 2012				
Investment property			Opening balance 14,253,500	Fair value adjustments 272,000
				Total 14,525,500

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10. Investment property (continued)

Reconciliation of investment property - 2011

Investment property

Opening balance	Fair value adjustments	Total
13,170,500	1,083,000	14,253,500

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Cacadu District Municipality.

Details of valuation

Investment Property was valued at 30 June 2011 and 30 June 2012 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth.

11. Intangible assets

Computer software

Cost / Valuation	2012 Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	2011 Accumulated amortisation and accumulated impairment	Carrying value
86,885	-	86,885	86,885	-	86,885

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12. Property, plant and equipment

	2012		2011			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	44,503,000	(6,137,000)	38,366,000	44,385,500	(6,038,500)	38,347,000
Buildings	28,662,839	(6,260,839)	22,402,000	30,090,530	(7,829,530)	22,261,000
Specialised plant and machinery	2,512,409	(1,322,422)	1,189,987	1,878,087	(937,885)	940,202
Furniture and fixtures	2,006,129	(704,373)	1,301,756	1,900,109	(634,407)	1,265,702
Motor vehicles	6,370,465	(2,921,869)	3,448,596	8,211,108	(4,076,399)	4,134,709
Office equipment	776,583	(415,636)	360,947	913,520	(527,115)	386,405
Computer equipment	3,379,054	(2,063,851)	1,315,203	3,951,348	(3,008,615)	942,733
Bins and containers	98,988	(16,521)	82,467	10,820	(9,738)	1,082
Specialised vehicles	275,159	(221,713)	53,446	1,298,541	(1,132,489)	166,052
Total	88,584,626	(20,064,224)	68,520,402	92,639,563	(24,194,678)	68,444,885

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
Land	38,347,000	-	(44,000)	-	161,500	-	(107,000)	8,500	38,366,000
Buildings	22,261,000	-	(23,219)	(1,092,526)	(335,165)	(465,804)	(38,923)	2,073,418	22,402,000
Specialised plant and machinery	940,202	451,244	(69)	-	-	(178,240)	-	-	1,189,987
Furniture and fixtures	1,265,702	187,455	(69)	-	-	(137,476)	(13,856)	-	1,301,756
Motor vehicles	4,134,709	532,055	(347,604)	(357,501)	-	(513,063)	-	-	3,448,596
Office equipment	386,405	33,826	(64)	(1,001)	-	(57,441)	(778)	-	360,947
Computer equipment	942,733	571,491	(39,453)	-	-	(155,620)	(3,948)	-	1,315,203
Bins and containers	1,082	88,168	-	-	-	(6,783)	-	-	82,467
Specialised vehicles	166,052	-	(4)	(73,482)	-	(39,120)	-	-	53,446
	68,444,885	1,864,239	(454,413)	(1,524,510)	(173,665)	(1,553,547)	(164,505)	2,081,918	68,520,402

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
Land	38,537,600	-	-	(2,984,597)	2,424,311	-	(121,600)	491,286	38,347,000
Buildings	24,250,785	-	-	(1,239,210)	653,325	(512,964)	(890,936)	-	22,261,000
Specialised plant and machinery	714,764	473,070	-	(1,653)	-	(163,709)	(82,270)	-	940,202
Furniture and fixtures	1,298,206	221,545	-	(42,921)	-	(155,030)	(56,098)	-	1,265,702
Motor vehicles	7,414,282	1,124,777	(253,052)	(2,330,144)	-	(1,744,169)	(76,985)	-	4,134,709
Office equipment	533,601	28,955	-	(19,040)	-	(86,281)	(70,830)	-	386,405
Computer equipment	932,737	389,508	(7,058)	(1,728)	-	(248,236)	(122,488)	-	942,733
Electricity infrastructure	83,177	-	-	(60,336)	-	(22,841)	-	-	-
Bins and containers	1,082	-	-	-	-	-	-	-	1,082
Specialised vehicles	786,523	-	-	(490,727)	-	(103,635)	(26,109)	-	166,052
Water distribution	50,932	-	-	(35,185)	-	(15,747)	-	-	-
	74,603,689	2,237,855	(260,110)	(7,205,541)	3,077,636	(3,052,614)	(1,447,316)	491,286	68,444,885

Revaluations

Land and buildings were valued at 30 June 2011 and 30 June 2012 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth, which includes the methods and significant assumptions applied in estimating the properties' fair values.

The carrying value of properties are measured at fair value as these properties were taken at fair value and not at cost. The carrying value of these properties, if measured under the cost model, could not be calculated.

Refer appendix B for more details.

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12. Property, plant and equipment (continued)

Disposals/ Transfers of Property, Plant and Equipment

Due to the disestablishment of the District Management Area (DMA), all property, plant and equipment allocated to the DMA, were transferred to the various Local Municipalities on 1 July 2011. These assets were derecognised in the prior year.

On 1 January 2011, the Primary Health Care (PHC) function has been provincialised. All PPE utilised in the operations of the PHC has been transferred to the ECDoH on 1 January 2011. These assets were transferred at no cost and had nil book values at 1 January 2011. Vehicles relating to the PHC were still in the name of the CDM as registration in the name of the ECDoH has not occurred in the prior year. These vehicles have been transferred and derecognised subsequently. A loss on derecognition of assets to the value of R8 005 has been recorded.

Assets subject to finance lease (Net carrying amount)

Specialised Plant and Equipment	-	30,487
<hr/>		
<u>Finance lease assets</u>		
Cost	113,528	113,528
Accumulated depreciation	(90,328)	(83,041)
Disposal in terms of lease termination	(23,200)	-
	-	30,487

13. Long-Term Liabilities

The total of the present value of the future minimum lease payments at the balance sheet date for finance leases are :

- within one year	-	21,890
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As no inherent interest rate to the contract could be determined, the incremental borrowing rate equal to the prime rate applicable at inception date was applied, and is currently repayable in monthly instalments of R7 958 per month.

The discounting rate was based on prime rate at the date of inception. All finance leases have a 0% escalation.

The contract with Sharp for a photostat machine has no renewal period and is rented month by month after the end of the contract until a 30 day notice period is given for collection.

The Gestetner and Panasonic contracts both (for photostat machines) have a 90 days notice period for termination of the contract. The renewal policy for Gestetner is on a month to month basis and for Panasonic on an annual basis. During the year, the Gestetner contract was cancelled and a new machine was purchased in cash.

Detailed information is available on Appendix A.

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14. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

- National government grants	9,934,747	19,497,028
- Provincial grants and subsidies	20,055,531	17,114,998
- Provincial grants and subsidies - 3rd party	696,686	1,983,965

Long-term unspent conditional grants

30,686,964	38,595,991
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Changes in the treatment of VAT and interest has resulted in a R38 385 505 reduction in unspent conditional grants. The initial treatment of unspent conditional grants was to capitalise the VAT and interest against the grant balances. This treatment ensured that all VAT and interest received on the grant balance was fully utilised against the allocated projects. This treatment was however incorrect as the VAT and interest should have been recognised through the statement of financial performance. This has subsequently been corrected

Application for conditional grant rollovers has been made to National Treasury and the relevant departments for the Municipal Systems Improvement Grant and Drought Relief Grant.

A complete list of all conditions are available at the Cacadu District Municipality during office hours.

15. Trade and other payables from exchange transactions

Trade payables	640,180	436,864
Sundry creditors	105,065	200,415
Accruals	5,058,736	3,421,427
Employee costs	472,498	188,715
Payments in advance - RSC levies	-	516
Payments in advance - Other	2,601	8,855
Unidentified deposits	591	7,200
Accrued leave pay *	2,149,473	2,159,701
Infrastructure projects from levies	3,978,226	5,206,881
	12,407,370	11,630,574

* Not financial liabilities.

Normal terms of payment is 30 days and no amortisation was calculated.

The carrying amount of financial liabilities approximates their fair value due to their short-term nature.

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16. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	402,582	557,264	(99,572)	(303,010)	557,264
Long service bonus	57,693	373,535	(55,734)	(1,959)	373,535
Balance at end of year	460,275	930,799	(155,306)	(304,969)	930,799

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	206,994	402,582	(184,722)	(22,272)	402,582
Long service bonus	200,562	57,693	(51,753)	(148,809)	57,693
	407,556	460,275	(236,475)	(171,081)	460,275

Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators determined in the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval.

Long service bonus provision

Long service bonuses are calculated based on SALGA regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

17. Post-employment medical benefit

Provision for Post-employment medical benefit	58,049,255	59,174,995
Short-term portion of post -employment medical benefit	(3,674,884)	(3,404,628)
Total Non-Current Provisions	54,374,371	55,770,367

The District Municipality's net obligation in respect of post employment medical benefits was calculated by Independent Actuaries and Consultants as at 30 June 2011 and 30 June 2012. 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.

93 Principle members are currently covered by the fund (2011 : 101 members)

Valuation method

Pre-Retirement benefit

The death in-service benefit is regarded as a post-employment liability under the requirements of IAS 19.

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17. Post-employment medical benefit (continued)

Post retirement benefits

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to total potential service until the expected retirement date. The future-service liability is the difference between the total liability and the past-service liability.

Accrued defined benefit obligation

The accrued liability is the value of the employer's share of the contribution - based liability.

Current service cost

The current service cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

Valuation assumptions:

Rate of Interest

Medical aid inflation rate 7.44% p.a.

Investment return 8.55% p.a.

The discount rate was deduced from the yield of the R186 government Bond of 8.55% at 31 May 2012 (the R186 government bond is a fixed interest government bond with a maturity date between 2025 and 2027). Where the market in such bonds in a country is limited, the market yield on government bonds is used as the medical aid inflation rate.

A Health Care inflation rate of 7.44% has been assumed. The market's pricing of inflation has been estimated by comparing the yields on index linked government bonds and long term government bonds, adjusting for an inflation risk premium of 0.5% per annum. This implied inflation assumption is therefore 5.94% per annum for future inflation. Future subsidies can be expected to increase in line with medical inflation. It is assumed that medical inflation will exceed general inflation by 1.5% per annum.

The net discount rate has reduced slightly from 1.26% per annum to a rate of 1.03% per annum, which derives from a discount rate of 8.55% and the expected medical inflation rate of 7.44%.

The next contribution increase was assumed to occur with effect from 1 January 2013.

Mortality rates

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down three years for females and on the PA (90) -1 ultimate 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.

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17. Post-employment medical benefit (continued)

Family profile

It was assumed that 90% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it has been assumed that in-service husbands will be three years older than their wives and that employees will not have any dependent children once they retire. For current retired members, actual marital status was used and the potential for remarriage was ignored.

Changes in the present value of the defined benefit obligation are as follows:

Balance at beginning of year	59,174,995	54,272,472
Expected benefit payments	(3,539,146)	(3,114,384)
Current service cost	246,717	147,367
Actuarial (gain)/loss	(3,067,385)	3,218,610
Interest costs	5,234,074	4,650,930
Closing balance	58,049,255	59,174,995

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

Within one year	3,674,884	3,404,628
Later than one year, not later than five years	17,694,016	21,123,646
Later than five years	36,680,355	34,646,721
Total included in employee related costs	58,049,255	59,174,995

The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:

Financial period 2007/2008	47,110,017	
Financial period 2008/2009	49,830,455	
Financial period 2009/2010	54,272,471	
Financial period 2010/2011	59,174,995	
Financial period 2011/2012	58,049,255	
	268,437,193	

Accumulative actuarial gain/(loss)

Balance at the beginning of the year	(13,692,770)	(10,474,160)
Projected during the year	3,067,385	(3,218,610)
Accumulated balance at the end of the year	(10,625,385)	(13,692,770)

Withdrawals

The withdrawal rate provided for at the average age of 65.3 years is 3% per annum. Withdrawal rates for other ages were not provided as the valuator believes that the membership is too small to derive specific rates of withdrawals.

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17. Post-employment medical benefit (continued)

Medical aid contributions at retirement

It is assumed that all 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 done at 30 June 2011.

18. Revaluation Reserve

Land and Buildings were valued at 30 June 2011 and 30 June 2012 using the income capitalisation, comparable sales of sectional title office developments and comparable sales methods by Suid Kaap Waardeerders, a registered and independent valuator.

The revaluation surplus is reconciled as follows:

Balance at beginning of the year	78,307,028	74,738,111
Revaluation during the year	(173,665)	3,077,631
Adjustments - Reversal of prior impairment losses	(362,500)	491,286
Balance at the end of the year	77,770,863	78,307,028

19. Unappropriated surplus

The unappropriated surplus is reserved for the following purpose:

General	175,561,335	210,634,559
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The cash backed portion of the unappropriated surplus is ring fenced for the following purpose:

General	148,585,284	175,023,219
Primary Health Care	-	42,645
Allowance for impairment	10,164,245	10,832,719
Restructuring grant funds allocated to surplus	15,000,000	15,000,000
	173,749,529	200,898,583

20. Financial Instruments - Financial assets by category

Financial Instruments are classified into the following categories:

Financial Assets: Loans and Receivables

Financial Liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

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20. Financial Instruments - Financial assets by category (continued)

2012

	Loans and receivables	Non financial assets	Total
Cash and cash equivalents	268,613,446	-	268,613,446
Deposits	22,910	-	22,910
Intangible assets	-	86,885	86,885
Investment properties	-	14,525,500	14,525,500
Long-term receivables	7,862	-	7,862
Other receivables from non-exchange transactions	1,486,659	-	1,486,659
Property, plant and equipment	-	68,520,402	68,520,402
Trade and other receivables from exchange transactions	591,587	-	591,587
VAT	1,551,335	-	1,551,335
	272,273,799	83,132,787	355,406,586

2011

	Loans and receivables	Non financial assets	Total
Cash and cash equivalents	305,951,477	-	305,951,477
Deposits	21,410	-	21,410
Intangible assets	-	86,885	86,885
Investment properties	-	14,253,500	14,253,500
Long-term receivables	4,177	-	4,177
Other receivables from non-exchange transactions	2,283,164	-	2,283,164
Property, plant and equipment	-	68,444,885	68,444,885
Short-term portion of long-term receivables	11,426	-	11,426
Trade and other receivables from exchange transactions	814,831	-	814,831
VAT	6,953,556	-	6,953,556
	316,040,041	82,785,270	398,825,311

21. Financial Instruments: Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Non Financial Liabilities	Total
Post employment medical benefit	-	54,374,371	54,374,371
Provisions	-	930,799	930,799
Short-term portion of the post employment medical benefit	-	3,674,884	3,674,884
Short-term portion of unspent conditional grants	30,686,964	-	30,686,964
Trade and other payables	12,407,370	-	12,407,370
	43,094,334	58,980,054	102,074,388

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21. Financial Instruments: Financial liabilities by category (continued)

2011

	Financial liabilities at amortised cost	Non Financial Liabilities	Total
Post employment medical benefit	-	55,770,367	55,770,367
Provisions	-	460,275	460,275
Short-term portion of post employment medical benefit	-	3,404,628	3,404,628
Short-term portion of deferred income	38,595,991	-	38,595,991
Short-term portion of long term liabilities	21,890	-	21,890
Trade and other payables from exchange transactions	11,630,574	-	11,630,574
	50,248,455	59,635,270	109,883,725

22. Government grants and subsidies

Equitable share	67,220,000	69,386,566
Provincial subsidy - pensioners	3,741,623	3,214,049
Grant funding - expenditure reimbursement	19,573,168	107,208,298
Assets financed from grants	-	79,154
Ikwezi co-funding	1,146,764	-
	91,681,555	179,888,067

Equitable Share

In terms of the Constitution, this grant is used to subsidise the administrative services to the Cacadu District, thus supplementing the municipality's revenue as discretionary income is insufficient.

DORA

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the next financial periods.

Refer to appendix F for additional information.

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23. Total Revenue - includes		
Other revenue:		
Valuation certificates	-	2,974
Settlement discount received	-	419
Contribution from skills development fund	193,648	167,880
Sale of plans	-	105
Printing costs recovered	-	1,348
Infrastructure projects funded from infrastructure contingency fund	1,228,656	543,869
Insurance claims	29,647	486,234
Administration function performed	-	270,688
Tender deposits	17,868	42,060
VAT	645,981	2,788,916
Other	1,662,999	1,257,134
Total other Revenue	<u>3,778,799</u>	<u>5,561,627</u>
Revenue from Exchange Transactions		
Tariffs and charges	-	263,394
Property rates	-	366,996
Rental	1,107,274	1,111,276
Investment interest	17,158,163	22,939,394
Other interest	814	47,585
Income from agency services	20,941	32,640
Total revenue from exchange transactions (excl VAT)	<u>18,287,192</u>	<u>24,761,285</u>
Revenue from non exchange transactions		
Government grants and subsidies	91,681,555	179,888,067
Fair value gain on revaluation of investment property	773,987	1,083,000
Actuarial gain on post employment medical aid	3,067,385	-
Gain on disposal of assets	352,996	-
Other revenue	3,778,799	5,561,627
Total revenue from non exchange transactions	<u>99,654,722</u>	<u>186,532,694</u>
Total revenue from exchange and non exchange transactions	<u>117,941,914</u>	<u>211,293,979</u>
Revenue	1,107,274	1,741,666
Other income	113,414,259	209,552,313
Total revenue from exchange and non exchange transactions	117,941,914	211,293,979

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24. Employee costs		
Basic	32,980,758	31,528,000
Remuneration of councillors (Refer note 25)	5,263,743	4,545,607
Total Employee Costs	38,244,501	36,073,607
Set out below are the details for remuneration for Directorate Heads:		
<u>Remuneration of Municipal Manager</u>		
Annual remuneration	990,871	835,619
Car allowance	156,000	156,000
Performance bonuses	57,140	63,489
	1,204,011	1,055,108
<u>Remuneration of the Director Finance and Corporate Services</u>		
Annual remuneration	774,674	721,293
Car allowance	144,000	144,000
Performance bonuses	42,432	56,575
	961,106	921,868
<u>Remuneration of the Director Health Services</u>		
Annual remuneration	-	592,933
Car allowance	-	64,000
Performance bonuses	-	64,658
	-	721,591
<u>Remuneration of the Director Infrastructure Services and Planning - 8 months : 2012 (9 months : 2011)</u>		
Annual remuneration	514,850	703,354
Car allowance	94,000	75,000
Performance bonuses	-	64,658
	608,850	843,012
<u>Remuneration of the Acting Director Infrastructure Services and Planning - 4 months : 2012 (3 months : 2011)</u>		
Annual remuneration	238,192	172,413
Car allowance	23,328	17,496
	261,520	189,909
<u>Remuneration of the Director Economic Development - 9 months : 2012 (1 month : 2011)</u>		
Annual remuneration	524,865	27,578
Car allowance	90,000	5,507
	614,865	33,085
<u>Remuneration of the Acting Director Economic Development - 3 months : 2012 (11 months : 2011)</u>		
Annual remuneration	112,154	448,479
Car allowance	17,496	69,985
	129,650	518,464

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25. Remuneration of councillors

Mayoral committee members	3,238,273	2,892,863
Speaker	522,157	497,236
Councillors	1,503,313	1,155,508
	<u>5,263,743</u>	<u>4,545,607</u>

In-kind benefits

The Executive Mayor and the Mayoral committee members are full time and are provided with offices and secretarial support at the cost of the Council.

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

26. Finance costs

Finance leases	1,157	11,131
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During the financial period, all three finance lease agreements ended and the rental machines were either returned or are being leased on a operating lease basis.

Refer to note 13 for more information.

27. Bulk purchases

Water purchases - DMA	-	6,310
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A project in the former DMA area was concluded which resulted in the decrease of water purchases. No more water purchases for this area have occurred.

28. Conditional grants expenditure and other grants and subsidies paid

Under conditional grant expenditure	17,496,177	100,971,595
Under salaries and wages	1,184,704	870,796
Under general expenses	50,796	34,622
Under salaries maintenance and general (disaster management operating expenses)	1,000,000	1,000,000
Total conditional grants and subsidies paid	<u>19,731,677</u>	<u>102,877,013</u>

Other grants and subsidies paid

Sundries	160,308	2,156,906
Koukamma flood damage interest	327,862	1,330,497
Kouga Development Agency (KDA)	1,148,021	864,000
Environmental health subsidies	7,086,365	6,442,150
Total other grants and subsidies paid	<u>8,722,556</u>	<u>10,793,553</u>

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29. Restatement of prior year figures (continued)

29. Restatement of prior year figures

Adjustments to surplus opening balance 2011:

Rental adjusted	(4,137)
Repairs and maintenance adjustments	(905)
General expenses adjusted	5,977,233
Grant expenditure Adjusted	(470,778)
Employee related costs	19,114
Grant income adjusted	3,535,032
Other income adjusted	2,788,463
	<u>11,844,022</u>

Adjustments to financial position

VAT	2,564,717
Trade and other receivables from non exchange transactions	(240)
Trade and other receivables from exchange transactions	290,474
Cash and cash equivalents	(16,469)
Unspent conditional grants	46,976,456
Trade and other payables from exchange transactions	(86,529)
	<u>49,728,409</u>

Adjustments to surplus opening balance 2010:

Property rates adjustments	12,588
Conditional grant expenditure adjustments	(108,714)
Correction of VAT and interest incorrectly capitalised to condition grants	37,791,269
Employee related cost adjustments	189,244
	<u>37,884,387</u>

During the year under review it was discovered that:

Adjustments relating to 2011

Overpayment of rates refunded in the current year relating to prior year rates overpayment	(11,260)
Overcharge by municipality corrected only in new year and corrected amounts paid in 2012	3,698
Rental income overpayment	(276)
Correction of rent accrued for the Standard Bank building	(2,400)
Accrued rent incorrectly provided on properties that were transferred to Baviaans	6,813
Fund balances transferred to Accumulated Surplus as conditions have been met	(3,535,032)
Licence fees relating to prior year payable	32,775
VAT audit resulting in additional VAT claims not claimed in the previous year	(2,564,717)
Interest on Auditor General account paid relating to prior year charge	2,811
Repairs to alarm panel only paid in current year after invoice was received although service has been rendered in previous financial year	905
VAT on correction of payments for interest and services that related to prior year expenses	190
Reversal of 2011 levies accrual against receipts	453
Reversal of councillors UIF	(19,114)
Reversal of conditional grant interest capitalised	(3,440,730)
Reversal of conditional grant VAT capitalised	(2,788,916)
Conditional grant projects expenditure funded from surplus	470,778
	<u>(11,844,022)</u>

Adjustments relating to 2010:

Rates information received too late for processing in correct financial year	(12,588)
Reallocation of expenditure 2010	108,714
Reversal of conditional grant interest capitalised	(13,279,164)
Reversal of conditional grant VAT capitalised	(24,512,105)
Reversal of councillors UIF	(189,244)
	<u>(37,884,387)</u>

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29. Restatement of prior year figures (continued)

Changes affecting the financial position:

Adjustments affecting 2011:

VAT - Correction OMA input tax i.r.o. prior tax periods not claimed	(2,564,717)
Amount due by SARS for the refund of councillors UIF	(294,888)
Amount due to councillors for the refund of UIF	86,529
Correction of VAT incorrectly capitalised to conditional grants	(27,301,021)
Correction of interest incorrectly capitalised to conditional grants	(16,719,895)
Conditional grant projects expenditure funded from surplus	470,778
Overpayment of rental income	(275)
Correction of rent accrued for the Standard Bank building	(2,400)
Accrued rent incorrectly provided on properties that were transferred to Baviaans	6,814
Fund balances transferred to accumulated surplus as conditions have been met	(3,426,318)
Invoices paid for prior year expenditure	16,469
Reversal of 2011 levies accrual relating to prior year levies charge	515
	<u>(49,728,409)</u>

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29. Restatement of prior year figures (continued)		
Revenue	Restated	As previously
	2011	stated
		2011
Rental	1,111,276	1,115,413
Investment interest	22,986,979	22,986,979
Other income	5,657,074	2,868,611
Government grants and subsidies	179,888,067	176,353,035
Tariffs and charges	263,394	263,394
Property rates	366,996	366,996
	210,273,786	203,954,428
Expenses		
Employee related costs	36,073,607	36,092,721
Actuarial loss on post employment medical benefit	3,218,610	3,218,610
Fair value adjustment	(1,083,000)	(1,083,000)
Collection costs	11,023	11,023
Depreciation	3,052,619	3,052,619
Repairs and maintenance	1,035,886	1,034,981
Bad debt impairment	99,293	99,293
Bulk services	6,310	6,310
Contracted services	3,241,827	3,241,827
Conditional grant expenditure	100,971,595	100,971,595
Other grants and subsidies paid	10,793,553	10,793,553
General expenses - other	42,460,794	47,967,249
Discounting of post retirement benefit obligation	4,650,930	4,650,930
Loss on disposal of property, plant and equipment	7,465,654	7,465,654
Impairment loss	1,447,316	1,447,316
	213,446,017	218,970,681
Deficit for the year	(3,172,231)	(15,016,253)

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29. Restatement of prior year figures (continued)

	Restated 2011	As previously stated 2011
Assets		
Current Assets		
Short term portions of long-term receivables	11,426	11,426
Trade and other receivables from exchange transactions	814,831	524,357
Trade and other receivables from non exchange transactions	2,283,164	2,283,404
VAT	6,953,556	4,388,839
Deposits paid	21,410	21,410
Cash and cash equivalents	<u>305,951,477</u>	<u>305,967,946</u>
	<u>316,035,864</u>	<u>313,197,382</u>
Non-current assets		
Property plant and equipment	68,444,885	68,444,885
Long term receivables	4,177	4,177
Investment property	14,253,500	14,253,500
Intangible assets	86,885	86,885
	<u>82,789,447</u>	<u>82,789,447</u>
Total Assets	<u>398,825,311</u>	<u>395,986,829</u>
Liabilities		
Short-term portion of long-term liabilities		
Unspent conditional grants	21,890	21,890
Trade and other payables from exchange transactions	38,595,991	85,572,447
Provisions	11,630,574	11,544,045
Short term portion of medical aid benefit	460,275	460,275
	<u>3,404,628</u>	<u>3,404,628</u>
	<u>54,113,358</u>	<u>101,003,285</u>
Non-current liabilities		
Long-term liabilities		
Long-term portion of post-employment medical benefit	55,770,367	55,770,367
	<u>55,770,367</u>	<u>55,770,367</u>
Total Liabilities	<u>109,883,725</u>	<u>156,773,652</u>
Total assets less liabilities	<u>288,941,586</u>	<u>239,213,177</u>
Reserves		
Unappropriated surplus	78,307,028	78,307,028
Total Net Assets	<u>210,634,558</u>	<u>160,906,149</u>
	<u>288,941,586</u>	<u>239,213,177</u>

CACADU DISTRICT MUNICIPALITY

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Figures in Rand	2012	2011
30. Cash used in operations		
Deficit	(35,073,223)	(3,183,362)
Adjustments for:		
Depreciation	1,553,547	3,052,619
(Gain) / loss on disposal of property, plant and equipment	(352,996)	7,465,654
Fair value adjustments	(773,987)	(1,083,000)
Discounting of post employment medical benefit obligation	5,234,074	4,650,930
Impairment deficit	164,505	1,447,316
Debt impairment	21,613,465	(62,807)
Contributions to provisions	470,524	52,719
Service cost	246,717	147,367
Prior year corrections	(24,026,869)	29,039,547
(Profit) / loss on actuarial valuation for post employment medical benefits.	(3,067,385)	3,218,610
Changes in working capital:		
Trade and other receivables	223,244	(717,388)
Other receivables from non-exchange transactions	796,505	532,431
Trade and other payables from exchange transactions	776,795	(8,386,135)
VAT	5,402,221	(2,601,367)
Unspent conditional grants	(7,909,027)	(96,933,404)
	(34,721,890)	(63,360,270)

31. Finance Leases Reconciliation

Cacadu District Municipality had external loans in the form of finance leases. Refer to Appendix A

32. Contingent Liability

A possible liability exists in respect of an obligation in terms of a development and construction contract. The pleadings in the case have not yet closed.	476,632	476,632
A possible liability exists in respect of damages claimed for the loss of insurance payouts by a former employee due to late submission of claim documents.	-	268,320
A possible liability exists in respect of damages claimed for the damage caused by a fire truck that collided with a train. A settlement amount was paid by our insurers.	-	272,665
	476,632	1,017,617

The following contingent liability was transferred to the municipality by the liquidation of Kouga Development Agency (KDA):

Great Force Investemnts (Pty) Ltd, the developer appointed by KDA to develop the mandated area, issued a letter to the district municipality whereby the developer seeks to continue with the development of the mandate area and would like the appointment to be honoured. Should the developer not be allowed to continue, the developer would institute legal action against the parent municipality, for all damages.

33. Contingent Assets

A possible asset exists in respect of a claim in terms of defective workmanship and overpayment for work done.	<u>2,000,000</u>	<u>2,000,000</u>
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34. Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure

No unauthorised expenditure was incurred in the current and previous financial years.

Fruitless and wasteful expenditure

A penalty of R35 000 was charged by the Department of Economic Development and Environmental Affairs for initiating a project prior to receiving the Record of Decision. Council has condoned the fruitless and wasteful expenditure at their council meeting held on 25 January 2012.

Irregular expenditure

Refer to Note 47

35. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Council subscription	259,273	260,292
Amount paid - current year	(259,273)	(260,292)

Balance unpaid (included in creditors)

-

External Audit fees

Current year audit fee	2,383,604	2,143,626
Audit Planning fees for the following year	267,492	296,821
Amount paid - current year	(2,651,096)	(2,440,447)

Balance due (included in debtors)

-

PAYE and UIF

Opening balance	-	2,000
Current year payroll deductions	6,952,041	8,660,904
Amount paid - current year	(6,952,041)	(8,660,904)
Amount paid - previous years	-	(2,000)

-

Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	2,944,091	3,759,022
Amount paid - current year	(2,944,091)	(3,759,022)

-

36. Capital Commitments

No capital commitments existed during the year (2011: R21 888).

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37. Post Employment Benefit Information

Post employment medical benefit

Provision is made for post employment medical benefits in the form of health care plans for eligible employees and pensioners.

Retirement fund benefits

Employees and council contribute to the Cape Joint Retirement Fund on the basis of a fixed contribution, which is charged against income as incurred.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

38. In-kind donations and assistance

No donations have occurred in the current year.

39. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(35,073,223)	(3,183,362)
Adjusted for:		
Fair value adjustments	773,987	1,548,996
Impairments recognised / reversed	(150,649)	(8,530,760)
Gain (Loss) on the sale of assets	102,996	(7,058)
Increases / decreases in provisions	470,524	62,807
Discounting of post employment medical benefit	(5,234,074)	(4,650,930)
Finance costs	(1,157)	(11,131)
Contribution from accumulated surplus	39,111,596	14,771,438
Net surplus per approved budget	-	-

40. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included as the municipality is not exposed to foreign exchange risk or interest rate risk. The municipality does not enter into any foreign exchange transactions and since the municipality effect payment on presentation of invoice, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

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40. Risk management (continued)

At June 30, 2012	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	12,407,370	-	-	-
Other Payables	-	35,292,647	-	-
At June 30, 2011	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	11,630,574	-	-	-
Other Payables	-	42,482,784	-	-

Interest rate risk

The current account and the call account expose the municipality to cash flow 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.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% either direction, the effect on the cash balance would be R2.6 million in each way.

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 R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding National Treasury (Equitable Share) and Department of Housing (Housing Scheme) receivables.

Management believes that the Allowance for impairment adequately addresses the credit risk involved.

41. Events after the reporting date

None

42. 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. The policy has been amended during the year in accordance with changes in the Act and applicable regulations. The Municipality has improved the controls significantly during the year to ensure compliance with the policy and regulations. The controls have been implemented and are being monitored.

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43. 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 .

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 R1 127 941 during the current financial year (2011: R864 000) towards the operating costs of KDA.

A decision has been taken by the council of CDM and Kouga Local Municipalities to disestablish the KDA and to form a District Development Agency. The process of winding down KDA will be finalised once the annual financial statements for 2011/2012 financial year has been audited.

No other transaction was entered into with KDA.

Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R1 700 664 (2011: R1 945 638)

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.

The following interests in institutions have been declared, but no transactions have been entered into:

Staff Member/ Councillor	Entity Number	Entity Name	Transactions
Mr and Mrs de Lange	2008/228399/23	Humeral Bed and Breakfast CC	None
Mrs Botes	n/a	Mr DC Botes (Spouse)	Translation services were provided to CDM by Mr DC Botes, in his personal capacity. No transaction occurred during the year (2011 : R28 500)

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43. Entity combinations (continued)

Key management personnel

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

Executive Mayor

Speaker

Mayoral Committee members

Councillors

Municipal Manager

Director: Infrastructure Services and Planning

Director: Economic Development

Director: Finance and Corporate Services

Acting Director: Infrastructure Services and Planning

Acting Director: Economic Development

44. 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 value of assets and liabilities within the next financial year.

45. 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.

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

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 amount of R 9,231,380 (2011: R 9,231,380) was included in the provision for bad debts.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial 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, 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 2012 is R 58,049,255 (2011: R 59,174,995). Further details are given in Note 17

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45. Significant estimates and judgements (continued)

Useful lives

The estimates and associated assumptions are based on the historical experience and management's estimation 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, are still appropriate.

Residual values

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of the condition of the assets. Limited 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.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

46. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 18:	Segment reporting
GRAP 21:	Impairment of non cash generating assets
GRAP 23:	Revenue from Non exchange transactions (Taxes and Transfers)
GRAP 24:	Presentation of budget information in the financial statements
GRAP 25:	Employee Benefits
GRAP 26:	Impairment of cash generating assets
GRAP 103:	Heritage assets
GRAP 104:	Financial Instruments
GRAP 105:	Transfer of functions between entities under common control
GRAP 106:	Transfer of functions between entities not under common control
GRAP 107:	Mergers

GRAP 18: Segment reporting

As CDM is mainly in a supporting function to the municipalities within its jurisdiction the application of this standard is not expected to have a major impact on the accounting procedures and disclosures.

GRAP 21: Impairment of non cash generating assets

A major portion of CDM's assets are non cash generating of nature and application of this standard will have an effect on the presentation of assets. But as there are no real major changes to applying IPSAS 21 the impact is not anticipated to be severe.

GRAP 23: Revenue from Non exchange transactions (Taxes and Transfers)

A major portion of CDM's revenue consists of grants (transfers) and the principles of this standard has been practically adopted and applied as far as it relates to grants. No problems are anticipated when introducing this standard.

GRAP 24: Presentation of budget information in the financial statements

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

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46. Standards of GRAP issued but not yet effective (continued)

GRAP 25: Employee Benefits

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

GRAP 26: Impairment of cash generating assets

The biggest problem here would seem to be the identification of such assets as the definition differs from IAS 36 and GRAP 26. The application does not differ greatly from IAS 36.

GRAP 103: Heritage assets

Currently no heritage assets were identified for CDM.

GRAP 104: Financial Instruments

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

GRAP 105: Transfer of functions between entities under common control

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

GRAP 106: Transfer of functions between entities not under common control

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

GRAP 107: Mergers

The effect on the financial statements of introducing this standard do not seem to be serious as most of the principles in the standard is already applied or the information readily available.

47. Irregular expenditure

Opening balance	27,822,897	9,028,852
Add: Irregular Expenditure - current year	9,554,701	18,794,045
Less: Amounts condoned	-	-
	37,377,598	27,822,897

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47. Irregular expenditure (continued)		
<u>Details of irregular expenditure</u>		
For purchases between R2 000 to R30 000, the supply chain management policy requires certain declarations and information to be supplied before appointing the service provider. 93 (2011: 169) Suppliers were not registered on the database where all the required information was provided and declared and thus important information was not submitted. Only quotations were considered in terms of pricing.	674,671	7,408,948
Preferential procurement points were not used for 16 (2011: 179) purchases between R30 000 to R200 000. Procurement only considered in terms of lowest prices quoted.	1,178,404	12,767,074
One transaction for emergency expenditure has not been authorised by the accounting officer.	-	23,512
Suppliers made false declarations by indicating that they are not in the service of the state and reliance was placed on these declarations. It was subsequently identified that these suppliers have made false/no declarations and work has been given to them.	-	543,638
For purchases between R2 000 to R10 000, the supply chain management policy requires certain declarations and information to be supplied before appointing the service provider. 9 Suppliers were not registered on the database where all the required information was provided and declared and thus important information was not submitted. Only quotations were considered in terms of pricing.	66,465	-
One transaction where 3 quotes was not obtained.	10,000	-
Tenders of a long term nature that were not advertised for at least 30 days.	2,530,181	1,376,598
Tenders that were not evaluated in accordance with the Preferential procurement points system. The correct formulae was not applied to 1 award.	562,014	2,553,177
The evidence for tender specifications committee was not available for 1 tender.	897,341	-
3 tenders did not comply with the supply chain management regulations as follows: Tenders of a long term nature that were not advertised for at least 30 days. Tenders were not evaluated in accordance with the Preferential procurement points system. The evidence for tender specifications committee was not available.	3,635,625	3,149,950
	9,554,701	27,822,897

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48. Statement of comparative and actual information

2012

Financial Performance

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue	191,777,934	191,804,995	191,804,995	117,941,914	73,863,081	61%	61%
Employee costs	(48,445,130)	(48,623,845)	(48,623,845)	(38,244,501)	(10,379,344)	79%	79%
Depreciation and asset impairment	(1,032,000)	(1,032,000)	(1,032,000)	(1,718,052)	686,052	166%	166%
Finance charges	(100,000)	(100,000)	(100,000)	(1,157)	(98,843)	1%	1%
Repairs and maintenance	(1,795,420)	(1,575,420)	(1,575,420)	(573,953)	(1,001,467)	36%	32%
Transfers and grants	(51,995,053)	(42,088,187)	(42,088,187)	(17,496,177)	(24,592,010)	42%	34%
Other expenditure	(88,410,331)	(98,385,543)	(98,385,543)	(94,981,297)	(3,404,246)	97%	107%
Total expenditure	(191,777,934)	(191,804,995)	(191,804,995)	(153,015,137)	(38,789,858)	80%	80%
Surplus/(Deficit) for the year	-	-	-	(35,073,223)	35,073,223	DIV/0%	DIV/0%

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48. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<u>Capital expenditure</u>							
Total capital expenditure				1,864,239	(1,864,239)	DIV/0%	DIV/0%
Categories:							
Bins and containers	-	149,435	149,435	88,168	61,267	59%	100%
Computer equipment	1,148,000	1,139,000	1,139,000	571,491	567,509	50%	50%
Furniture and fittings	168,000	168,000	168,000	187,455	(19,455)	112%	112%
Motor vehicles	400,000	1,100,000	1,100,000	532,055	567,945	48%	133%
Office equipment	4,801,000	4,799,000	4,799,000	33,826	4,765,174	1%	1%
Specialised plant and equipment	35,000	495,000	495,000	451,244	43,756	91%	1,289%
Total sources of capital funds	6,552,000	7,850,435	7,850,435	1,864,239	5,986,196	24%	28%

For additional explanations on variances for financial performance refer to Appendix E(1) and for capital expenditure refer to Appendix E(2).

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

49. Deviations

The following deviations from the supply chain management policy were approved by the municipal manager during the financial year:

<u>Reason for deviations</u>	<u>No. of incidents</u>		
Emergency	3	95,110	-
Services are produced or available from single provider	28	1,246,775	-
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	49	10,337,358	-
		11,679,243	-

50. Interest in Joint ventures

Name of entity	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Kouga Development Agency (KDA)	50%	50%	-	-

An amount of R2 181 011 could not be recognized in 2012 (2011: R2 023 314) as the allocation would have resulted in the investment account to be negative.

Summary of economic entity's interest in joint venture

The separate set of annual financial statements of Kouga Development Agency is available on request from the District Municipality.

Summary of the municipality's interests in the joint venture:

Non current assets	-	41 475
Current assets	-	34 551
Long-term liabilities - non-interest bearing	-	(492 339)
Revenue	536 758	1 965 728
Expenses	(694 455)	(3 285 416)
Net profit	(157 697)	(1 319 688)
Cash generated by operating activities	43 819	(516 209)
Cash flows from financing activities	(73 351)	(979 749)

51. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in certain furniture and fittings' remaining useful lives being reduced to 2 years based on the condition of the assets. The residual values of certain assets have been reassessed and adjusted accordingly. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 78,046 for the current period. The effect on future periods could not reasonably be determined.

CACADU DISTRICT MUNICIPALITY
APPENDIX A
 June 2012

SCHEDULE OF FINANCE LEASES FOR THE YEAR ENDED 30 JUNE 2012

Loan Number	Redeemable	Balance at Thursday, June 30, 2011	Finance charges for the year	Payments received	Balance at Saturday, June 30, 2012	Net book value of assets under finance leases	Short term portion	Present value of payments - within 2 - 5 years)
		Rand	Rand	Rand	Rand	Rand	Rand	Rand
2	04/30/2012	14,474	876	15,350	-	-	-	-
3	09/30/2011	2,458	47	2,505	-	-	-	-
4	02/28/2012	4,956	236	5,192	-	-	-	-
		21,888	1,159	23,047	-	-	-	-

FINANCE LEASES

Photostat Machine - Panasonic
 Photostat Machine - Panasonic
 Photostat Machine - Sharp

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Supplementary information

CACADU DISTRICT MUNICIPALITY APPENDIX B June 2012

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2012

	Cost/Revaluation				Accumulated Depreciation				Carrying Value Rand		
	Opening Balance Rand	Additions Rand	Revaluations Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Impairment Rand		Depr on sale Rand	Closing Balance Rand
Land											
Investment Property	13,572,500	-	340,500	-	13,913,000	-	-	-	-	-	13,913,000
PPE	44,385,500	-	161,500	44,000	44,503,000	6,038,500	-	107,000	8,500	6,137,000	38,366,000
Buildings											
Investment Property	681,000	-	-68,500	-	612,500	-	-	-	-	-	612,500
PPE	30,090,530	-	-335,165	1,092,525	28,662,840	7,829,530	465,804	38,924	2,073,418	6,260,840	22,402,000
Furniture and Fixtures											
PPE	1,900,109	187,455	-	81,435	2,006,130	634,407	137,475	13,855	81,364	704,373	1,301,756
Specialised Vehicles											
PPE	494,013	-	-	218,854	275,159	327,961	39,120	-	145,368	221,713	53,446
Office Equipment											
PPE	913,520	33,826	-	170,763	776,583	527,115	57,441	778	169,698	415,636	360,947
Computer Equipment											
Intangible Asset	86,885	-	-	-	86,885	-	-	-	-	-	86,885
PPE	3,951,348	571,491	-	1,143,785	3,379,054	3,008,615	155,621	3,948	1,104,332	2,063,851	1,315,203
Bins and Containers											
PPE	10,820	88,168	-	-	98,988	9,738	6,783	-	-	16,521	82,467

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

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CACADU DISTRICT MUNICIPALITY APPENDIX B June 2012

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2012

	Cost/Revaluation			Accumulated Depreciation						Carrying Value Rand	
	Opening Balance Rand	Additions Rand	Revaluations Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Impairment Rand	Depr on sale Rand		Closing Balance Rand
Motor Vehicles											
PPE - CDM - H/O	7,660,363	532,055	-	1,821,952	6,370,465	3,533,658	513,063	-	1,124,853	2,921,869	3,448,596
PPE - CDM - Health	550,745	-	-	550,745	-	542,740	-	-	542,740	-	-
Specialised Plant and Machinery											
PPE	2,682,615	451,244	-	621,450	2,512,410	1,742,414	178,240	-	598,231	1,322,423	1,189,987
	106,979,950	1,864,239	98,335.00	5,745,509	103,197,014	24,194,679	1,553,546	164,505	5,848,504	20,064,227	83,132,787

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2012

Supplementary information

CACADU DISTRICT MUNICIPALITY APPENDIX B June 2012

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2012

	Cost/Revaluation		Accumulated Depreciation						Carrying Value Rand		
	Opening Balance Rand	Additions Rand	Revaluations Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Impairment Rand		Depr on sale Rand	Closing Balance Rand
Land	57,958,000	-	502,000	44,000	58,416,000	6,038,500	-	107,000	8,500	6,137,000	52,279,000
Buildings	30,771,530	-	-403,665	1,092,525	29,275,340	7,829,530	465,804	38,924	2,073,418	6,260,840	23,014,500
Furniture and fittings	1,900,109	187,455	-	81,435	2,006,130	634,407	137,475	13,856	81,365	704,373	1,301,756
Specialised vehicles	494,013	-	-	218,854	275,159	327,961	39,120	-	145,368	221,713	53,446
Office equipment	913,520	33,826	-	170,763	776,583	527,115	57,441	778	169,698	415,636	360,947
Computer equipment	4,038,233	571,491	-	1,143,785	3,465,939	3,008,615	155,620	3,948	1,104,332	2,063,851	1,402,088
Bins and containers	10,820	88,168	-	-	98,988	9,738	6,783	-	-	16,521	82,467
Motor vehicles	8,211,108	532,055	-	2,372,698	6,370,465	4,076,399	513,063	-	1,667,593	2,921,869	3,448,596
Specialised Plant and machinery	2,682,615	451,244	-	621,450	2,512,410	1,742,414	178,239	-	598,230	1,322,423	1,189,987
Total	106,979,950	1,864,239	98,335	5,745,509	103,197,014	24,194,679	1,553,546	164,505	5,848,504	20,064,227	83,132,787

CACADU DISTRICT MUNICIPALITY
APPENDIX C
June 2012

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2012

	Cost / Revaluations				Accumulated Depreciation							Carrying Value 30 June 2012	
	Opening Balance	Revaluation	Additions	Derecognised Assets	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Disposals	Derecognition		Closing Balance
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand
Executive and Council	3,604,536	-	587,203	7,400	863,689	3,320,650	1,854,959	253,827	1,751	489,501	6,399	1,614,637	1,706,01
Finance and Admin	95,692,078	98,335	686,893	2,280,274	1,575,435	92,621,598	18,104,309	728,837	158,612	1,562,507	2,805,552	14,623,700	77,997,89
Housing Planning and Development	58,474	-	-	-	18,339	40,135	47,936	710	-	18,335	-	30,312	9,821
Public Safety	2,892,776	-	501,975	46,050	278,246	3,070,455	1,779,161	199,466	1,378	278,216	26,225	1,675,565	1,394,89
Roads	4,669,723	-	88,168	38,331	596,343	4,123,217	2,362,206	370,181	2,764	596,278	36,414	2,102,460	2,020,75
Water	44,903	-	-	30,881	-	14,022	31,446	132	-	-	18,557	13,020	1,001
	17,460	-	-	-	10,523	6,937	14,661	393	-	10,522	-	4,533	2,401
Total	106,979,950	98,335	1,864,239	2,402,937	3,342,574	103,197,014	24,194,679	1,553,546	164,505	2,955,358	2,893,147	20,064,227	83,132,78

**CACADU DISTRICT
MUNICIPALITY
APPENDIX
D**

June 2012

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2011 Actual Income Rand	2011 Actual Expenditure Rand	2011 Surplus/ (Deficit) Rand		2012 Actual Income Rand	2012 Actual Expenditure Rand	2012 Surplus/ (Deficit) Rand
	5,920,680	23,823,140	(12,534,956)	Executive and Council	4,503,106	18,455,637	(13,952,531)
	100,819,921	46,693,863	40,998,684	Finance and Administration	95,574,040	59,821,237	35,752,803
	10,480,366	23,578,046	(18,533,409)	Planning and Development	1,702,510	29,013,776	(27,311,266)
	24,199,059	33,146,004	(13,350,210)	Health Community and Social services	-	10,848,850	(10,848,850)
	1,807,873	1,808,037	(2,481,258)		3,825,637	4,289,131	(463,494)
	1,151,309	1,151,254	712,790	Housing	103,947	438,520	(334,573)
	4,603,959	13,923,136	(9,834,878)	Public safety	1,233,748	14,438,837	(13,205,088)
	-	992,631	(1,035,680)	Sport and Recreation	-	1,035,680	(1,035,680)
	119,124	8,543	119,124	Waste Management	-	-	-
	42,166,240	45,087,111	(35,168,825)	Road Transport	5,071,731	6,997,416	(1,925,684)
	20,025,447	24,265,577	(12,349,391)	Water	5,927,195	7,676,055	(1,748,861)
	211,293,979	214,477,341	(3,183,362)	Total	117,941,914	153,015,137	(35,073,223)

CACADU DISTRICT MUNICIPALITY
APPENDIX E(1)
June 2012

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	Current year 2012		Prior year 2011		Variance		Current year 2012		Variance		Budget vs Actual	%		
	Actual June Rand	June Rand	Actual June Rand	June Rand	Actual %	Budget June Rand	Budget June Rand	Actual June Rand	Budget June Rand					
										Budget vs Actual				Budget vs Actual
<u>Revenue</u>														
Property rates	-	366,996	-100%	-	-	-	-	-	-	0%	n/a			
Rental income	1,107,274	1,111,276	0%	1,111,276	1,073,300	33,974	1,073,300	33,974	3%	General inflationary increase in rental as per agreement				
Tariffs and charges	-	263,394	-100%	263,394	-	-	-	-	0%	n/a				
Government grants and subsidies	91,681,555	179,888,067	-49%	179,888,067	125,385,183	(33,703,628)	125,385,183	(33,703,628)	-27%	Directly related to under expenditure on projects				
<u>Other income</u>	92,788,829	181,629,733		181,629,733	126,458,483	(33,669,654)	126,458,483	(33,669,654)						
Other income	7,220,121	5,594,267	29%	5,594,267	46,389,686	(39,169,565)	46,389,686	(39,169,565)	-84%	Contribution from surplus not utilised - balanced and funded budget				
Interest received - investment	17,158,977	22,986,979	-25%	22,986,979	18,929,765	(1,770,788)	18,929,765	(1,770,788)	-9%	Lower than expected interest rates and lower investment portfolio				
<u>Expenses</u>	24,379,098	28,581,246		28,581,246	65,319,451	(40,940,353)	65,319,451	(40,940,353)						
Employee related costs	(38,244,501)	(36,073,607)	6%	(36,073,607)	(48,445,130)	10,200,629	(48,445,130)	10,200,629	-21%	All positions on organogram are budgeted for, but not all positions are filled				
Depreciation	(1,553,547)	(3,052,619)	-49%	(3,052,619)	(1,032,000)	(521,547)	(1,032,000)	(521,547)	51%	FAR updated and corrected resulting in increase of depreciation, which was not included in the budget				
Repairs and maintenance	(573,953)	(1,035,886)	-45%	(1,035,886)	(1,795,420)	1,221,467	(1,795,420)	1,221,467	-68%	Contributions from surplus not fully utilised				
Finance costs	(1,157)	(11,131)	-90%	(11,131)	(100,000)	98,843	(100,000)	98,843	100%	Leases are finance leases treated as operating leases for budget purposes				
Bulk purchases	-	(6,310)	-100%	(6,310)	-	-	-	-	0%	Project completed thus no purchases required				
Conditional Grant Expenditure	(17,496,177)	(100,971,595)	-83%	(100,971,595)	(51,995,053)	34,498,876	(51,995,053)	34,498,876	-66%	Lower expenditure on projects than expected and the correction of the VAT and interest treatment reduced the conditional grant balance				

General expenses	(94,981,297)	(64,413,223)	47%	(88,410,331)	(6,570,966)	7%	Contribution from surplus utilised fully as the National Treasury debt was impaired		
Impairments	(164,505)	(8,912,970)	-98%	-	(164,505)	100%	Impairment considered at year end as part of accounting year end entries and thus not budgeted for		
Fair value adjustments	773,987	1,083,000	-100%	-	773,987	100%	Valuations done at year end and accounting year end entries are not considered during budget period		
	(152,241,150)	(213,394,341)		(191,777,934)	39,536,784				
Net surplus/ (deficit) for the year	(35,073,223)	(3,183,362)		-	(35,073,223)				

CACADU DISTRICT MUNICIPALITY

APPENDIX E(2)

June 2012

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

	2012		2012		2012		Explanation of Significant Variances Greater than 5% versus Budget
	Total Additions	Budget	Variance	Variance	Variance		
	Rand	Rand	Rand	Rand	%		
OTHER ASSETS							
Bins and Containers	88,168	149,435	61,267	41.00		The items were supplied and delivered at a lower amount than budgeted for.	
Bins and Containers	88,168	149,435	61,267	41.00			
Computer equipment	571,430	1,139,000	567,570	49.83		A Printer for the IT Room, the PABX System and the tender for computers and laptops were supplied for a lower amount.	
Computer equipment	571,430	1,139,000	567,570	49.83			
Chairs	16,441	6,000	(10,441)	(174.02)		KDA donated 16 boardroom chairs to CDM and was capitalized at fair value.	
Tables/Desks	48,353	15,000	(33,353)	(222.35)		KDA donated a boardroom table and desks to CDM and was capitalized at fair value.	
Miscellaneous	122,661	147,000	24,339	16.56		Provision was made for 9 airconditioners, however only 6 were not installed. KDA donated 10 cabinets to CDM and was capitalized at fair value.	
Furniture and fittings	187,455	168,000	(19,455)	(11.58)		Two sedan vehicles were not purchased. Tender amount for the SUV was below budgeted amount.	
Motor Vehicles	532,055	1,100,000	567,945	51.63			
Motor vehicle	532,055	1,100,000	567,945	51.63			
Office Machines	33,826	4,799,000	4,765,174	99.30		The Electronic Filing System, Access Control, Refurbishment of Standard Bank and the Implementation of Fire Regulations were not conducted.	
Office equipment	33,826	4,799,000	4,765,174	99.30			
Specialised plant and equipment	451,244	495,000	43,756	8.84		The amount for the Photostat machine of Revenue Section was less than budgeted for.	
Specialised plant and equipment	451,244	495,000	43,756	8.84			
Grand Total	1,864,178	7,850,435	5,986,257	76.25			

CACADU DISTRICT MUNICIPALITY

APPENDIX F

June 2012

CONDITIONAL GRANTS AND RECEIPTS FOR THE YEAR ENDED 30 JUNE 2012

	UNSPENT BALANCE 30 JUNE 2011 RAND	CONTRIBUTIONS/ TRANSFERS PRIOR YEAR RAND	INTEREST ALLOCATED RAND	VALUE ADDED TAXATION RAND	CURRENT YEAR RECEIPTS RAND	TRANSFER TO REVENUE RAND	CONTRIBUTIONS/ TRANSFERS RAND	UNSPENT BALANCE 30 JUNE 2012 RAND
CAMDEBOO: ERADICATION OF VIP TOILETS	1,848,939	-	-	-	-	-	-	1,848,938.60
CAPACITY BUILDING FOR COUNCIL	30,447	-	(30,447)	-	-	-	-	-
CAPACITY DEV (KOUGA LED STRATEGY)	32,000	(32,000)	-	-	-	-	-	-
DBSA LED: PROJECT MANAGEMENT UNIT	-	-	-	-	32,084	(7,265)	(24,819)	-
DBSA LED: AGRI - INNOVATION INTERVENTION	-	-	-	-	662,112	(386,564)	(275,548)	-
DBSA LED: STRATEGY AND INSTITUTIONAL	84,969	-	-	-	723,507	(807,460)	(1,016)	-
DBSA LED: TOURISM PLANS	-	108,714	-	-	-	-	(108,714)	-
DEPARTMENT OF HEALTH	1,098,338	-	-	-	-	15,908	-	1,114,245.78
DISASTER MANAGEMENT	740,778	-	-	(740,778)	1,000,000	(1,000,000)	-	-
DROUGHT RELIEF	44,237	(44,237)	-	-	-	-	-	-
DROUGHT RELIEF 2010/2011	5,559,377	-	-	(9,048)	-	(2,312,130)	(289,019)	2,949,179.93
FINANCE MANAGEMENT GRANT	32,143	-	-	(32,143)	1,250,000	(1,250,000)	-	-
FIRE SERVICES	46,986	(46,986)	-	-	-	-	-	-
FLOOD DAMAGE ROADS	31,485,673	-	(10,398,985)	(21,086,691)	-	-	-	(2,00)
GIS SUPPORT TO CDM BY DWAF	84,370	-	-	-	-	-	-	84,370.20
HONEYBUSH TEA	163,073	(163,073)	-	-	-	-	-	-
HOUSING PROJECTS	842,928	-	-	(860)	-	-	-	842,067.60
IDP SUPPORT GRANT FOR LMS AND DM'S	469,710	-	-	-	-	-	-	422,800.00
KOU KAMMA LM TURNAROUND PLAN - INTEREST	1,657,362	-	(46,910)	-	-	-	113,571	1,770,933.40
KOU KAMMA STRENGTHENING THE CAPACITY	868,777	-	-	(106,737)	-	(464,176)	(64,984)	232,879.52
KOUKAMMA - WOODLAND FLOWER PROJECT	564,749	-	(67,659)	-	-	-	-	497,089.86
LED FUNDING	333,414	-	(277,382)	(5,687)	-	-	-	50,345.61
LED STRATEGY SMME	609,599	(609,599)	-	-	-	-	-	-

LIBRARIES - MUNICIPALITIES	5,035,388	-	(676,550)	(1,040,909)	6,794,000	(3,803,015)	(267,097)	6,041,816.82
MIG	4,312,664	-	-	(3,116,365)	-	(1,196,299)	-	0.00
MIG-KOUKAMMA	7,879,690	-	-	-	-	(4,837,877)	-	3,041,812.50
MULTIANNUAL ACTION PLANS - MAAAP	2,533,988	-	-	(304,524)	-	(632,697)	(88,577)	1,508,189.72
MUNICIPAL ADMINISTRATION: DEVELOPMENT	343,849	(343,849)	-	-	-	-	-	-
MUNICIPAL GRANT LED	726,011	-	(180,243)	(39,027)	-	(228,963)	(2,371)	275,406.91
MUNICIPAL PERFORMANCE MANAGEMENT	355,495	-	(53,616)	(120,837)	-	(86,361)	-	94,680.55
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	658,298	-	(127,687)	(320,540)	790,000	(770,223)	(8,669)	221,179.83
PASSENGER TRANSPORT PLANS AND FACILITIES	1,912,720	-	(523,484)	(260,818)	-	-	-	1,128,418.33
PEOPLE HOUSING PROJECT	11,803,057	-	(4,287,259)	(17,886)	23,500	-	-	7,521,412.13
PUBLIC WORKS PROJECTS	121,575	-	-	(68,245)	-	-	(53,330)	-
RAIN HARVESTING	32,376	(32,376)	-	-	-	-	-	-
RAIN HARVESTING PATERSON	550,000	-	-	-	-	-	-	550,000.00
RAIN WATER HARVESTING PEARSTON	29,909	-	-	(29,909)	-	-	-	-
RESTRUCTURING GRANT	1,529,553	(1,529,553)	-	-	-	-	-	-
THINA SINAKO PROV LED SUPPORT PROGRAM	657,622	-	-	-	701,497	(645,838)	(713,281)	-
TOURISM PLANS - DLG&TA	262,582	(262,582)	-	-	-	-	-	-
YOUTH CENTRE - SOMERSET EAST	229,802	-	(49,672)	(17)	-	-	-	180,111.95
KOUKAMMA INFORMATION SYSTEMS	-	-	-	-	500,000	(242,150)	-	257,850.32
JANSENVILLE WATER TREATMENT - IKWEZI CONTI	-	-	-	-	1,200,000	(1,146,764)	-	53,236.00
	85,572,447	(2,955,542)	(16,719,894)	(27,301,021)	13,676,700	(19,801,874)	(1,783,854)	30,686,964

CACADU DISTRICT MUNICIPALITY

APPENDIX G

June 2012

INVESTMENTS FOR PERIOD 1 JULY 2011 TO 30 JUNE 2012

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2011/2012	BALANCE 30 JUNE 2012
FIRST RAND BANK	71265602395	7	5.69%	8-Dec-10	8-Jul-11	12,000,000	
ABSA GROUP	2070621810	11	6.65%	19-Aug-10	19-Jul-11	9,000,000	
ABSA GROUP	2070626226	12	6.75%	21-Jul-10	20-Jul-11	3,000,000	
STANDARD BANK	088430537140	12	6.71%	21-Jul-10	20-Jul-11	7,000,000	
FIRST RAND BANK	71238977816	8	5.71%	8-Dec-10	8-Aug-11	12,000,000	
NEDCOR BANK	7881501480000106	8	5.70%	8-Dec-10	8-Aug-11	6,000,000	
FIRST RAND BANK	71178318310	12	6.62%	19-Aug-10	18-Aug-11	4,000,000	
STANDARD BANK	088430537143	9	5.65%	19-Nov-10	19-Aug-11	7,000,000	
NEDCOR BANK	7881501480000107	9	5.74%	8-Dec-10	8-Sep-11	13,000,000	
NEDCOR BANK	7881501480000105	10	5.70%	19-Nov-10	19-Sep-11	15,000,000	
NEDCOR BANK	7881501480000108	10	5.77%	8-Dec-10	10-Oct-11	13,000,000	
ABSA GROUP	2070772805	12	6.24%	12-Oct-10	11-Oct-11	1,000,000	
FIRST RAND BANK	71214140271	12	6.22%	12-Oct-10	11-Oct-11	10,000,000	
NEDCOR BANK	7881501480000103	12	6.25%	12-Oct-10	11-Oct-11	2,000,000	
STANDARD BANK	088430537142	12	6.25%	12-Oct-10	11-Oct-11	1,000,000	
INVESTEC	DA905404	7	5.85%	4-Apr-11	4-Nov-11	6,000,000	
FIRST RAND BANK	71235652403	11	5.81%	8-Dec-10	8-Nov-11	6,000,000	
INVESTEC	DA900303	11	5.76%	8-Dec-10	8-Nov-11	1,000,000	
ABSA GROUP	2071042455	10	5.75%	24-Jan-11	24-Nov-11	25,000,000	
STANDARD BANK	088430537146	9	5.80%	3-Mar-11	3-Dec-11	9,000,000	
ABSA GROUP	2071168629	9	5.85%	3-Mar-11	5-Dec-11	1,000,000	
ABSA GROUP	2070923410	12	5.75%	8-Dec-10	7-Dec-11	3,000,000	
STANDARD BANK	088430537144	12	5.77%	9-Dec-10	8-Dec-11	2,000,000	

INVESTEC	DA903888	10	6.01%	3-Mar-11	1-Jan-12	4,000,000
FIRST RAND BANK	71238977816	4	5.49%	5-Sep-11	5-Jan-12	5,000,000
FIRST RAND BANK	71230113666	12	6.10%	24-Jan-11	23-Jan-12	18,000,000
STANDARD BANK	088430537145	12	6.04%	24-Jan-11	23-Jan-12	7,000,000
STANDARD BANK	088430537148	9	6.00%	19-May-11	19-Feb-12	7,000,000
ABSA GROUP	2071385558	9	6.02%	19-May-11	20-Feb-12	9,000,000
INVESTEC	DA908224	9	6.08%	19-May-11	20-Feb-12	13,000,000
ABSA GROUP	2071257004	11	6.00%	1-Apr-11	1-Mar-12	11,000,000
STANDARD BANK	088430537147	12	6.15%	1-Apr-11	31-Mar-12	23,000,000
INVESTEC	DA910271	10	6.13%	21-Jun-11	20-Apr-12	2,000,000
ABSA GROUP	2071612254	10	6.04%	21-Jun-11	23-Apr-12	6,000,000
NEDCOR BANK	7881501480000109	10	6.11%	21-Jun-11	23-Apr-12	7,000,000
ABSA GROUP	2071595602	9	5.45%	28-Jul-11	27-Apr-12	9,000,000
STANDARD BANK	088430537149	11	6.16%	21-Jun-11	21-May-12	15,000,000
ABSA GROUP	2071595652	10	5.50%	28-Jul-11	28-May-12	10,000,000
INVESTEC	DA915412	9	5.64%	5-Sep-11	4-Jun-12	1,000,000
FIRST RAND BANK	71226405019	9	5.57%	5-Sep-11	5-Jun-12	11,000,000
NEDCOR BANK	7881501480000111	9	5.66%	5-Sep-11	5-Jun-12	5,000,000
STANDARD BANK	088430537151	9	5.62%	5-Sep-11	5-Jun-12	8,000,000
FIRST RAND BANK	71214140271	7	5.67%	7-Dec-11	6-Jul-12	3,000,000
STANDARD BANK	088430537152	7	5.57%	6-Dec-11	6-Jul-12	3,000,000
ABSA GROUP	2071925049	7	5.75%	6-Dec-11	9-Jul-12	8,000,000
NEDCOR BANK	7881501480000114	9	5.69%	18-Oct-11	18-Jul-12	6,000,000
INVESTEC	DA912290	12	6.08%	28-Jul-11	26-Jul-12	3,000,000
FIRST RAND BANK	71265602395	12	6.03%	28-Jul-11	27-Jul-12	6,000,000
NEDCOR BANK	7881501480000112	10	5.74%	27-Sep-11	27-Jul-12	10,000,000
STANDARD BANK	088430537150	12	6.08%	28-Jul-11	27-Jul-12	5,000,000
STANDARD BANK	088430537153	8	5.80%	13-Dec-11	12-Aug-12	7,000,000
ABSA GROUP	2071941538	8	5.78%	13-Dec-11	13-Aug-12	8,000,000
FIRST RAND BANK	71235652403	8	5.73%	13-Dec-11	13-Aug-12	5,000,000
INVESTEC	HZ11121300079	8	5.82%	13-Dec-11	13-Aug-12	2,000,000
NEDCOR BANK	7881501480000117	8	5.75%	13-Dec-11	13-Aug-12	4,000,000

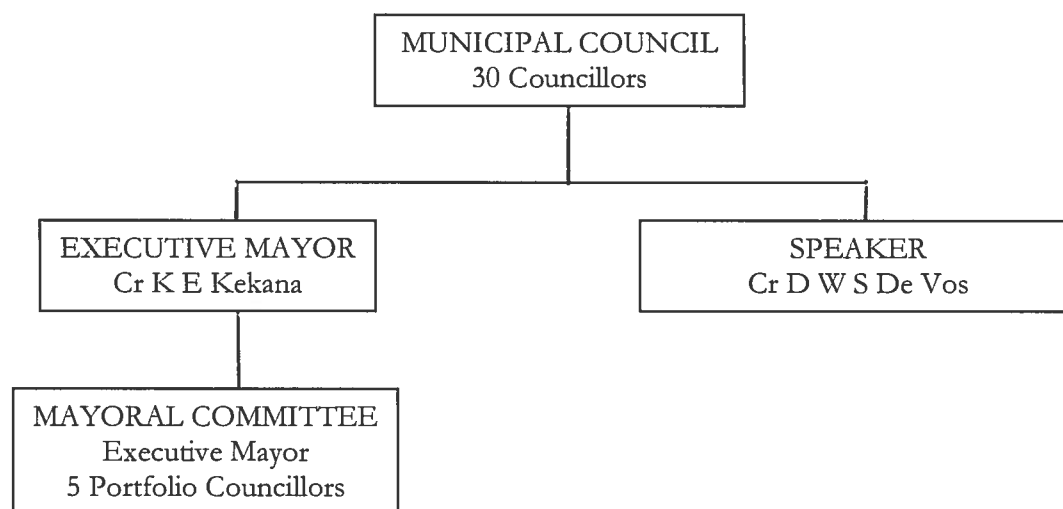
NEDCOR BANK	7881501480000113	11	5.76%	27-Sep-11	27-Aug-12	10,000,000
ABSA GROUP	2071925057	9	5.79%	6-Dec-11	6-Sep-12	12,000,000
FIRST RAND BANK	71201472603	11	5.69%	18-Oct-11	18-Sep-12	8,000,000
INVESTEC	RK12012402556	8	5.95%	24-Jan-12	24-Sep-12	3,000,000
STANDARD BANK	088430537154	8	5.73%	24-Jan-12	24-Sep-12	4,000,000
FIRST RAND BANK	71230113666	6	5.78%	27-Mar-12	27-Sep-12	5,000,000
NEDCOR BANK	7881501480000115	12	5.74%	18-Oct-11	17-Oct-12	6,000,000
NEDCOR BANK	7881501480000116	11	5.85%	6-Dec-11	6-Nov-12	6,000,000
NEDCOR BANK	7881501480000119	6	5.82%	7-May-12	7-Nov-12	6,000,000
FIRST RAND BANK	71220880423	10	5.94%	24-Jan-12	24-Nov-12	17,000,000
INVESTEC	RK11120644C77C	12	5.89%	6-Dec-11	4-Dec-12	4,000,000
ABSA GROUP	2072214398	9	5.89%	27-Mar-12	27-Dec-12	18,000,000
STANDARD BANK	088430537157	10	6.01%	27-Mar-12	27-Jan-13	7,000,000
ABSA GROUP	2072324872	10	5.87%	7-May-12	7-Feb-13	8,000,000
ABSA GROUP	2072118188	12	6.03%	21-Feb-12	19-Feb-13	5,000,000
FIRST RAND BANK	71238977816	12	6.03%	22-Feb-12	19-Feb-13	2,000,000
INVESTEC	RK12022104544	12	6.08%	21-Feb-12	19-Feb-13	10,000,000
STANDARD BANK	088430537155	12	6.13%	21-Feb-12	19-Feb-13	6,000,000
FIRST RAND BANK	71226405019	8	5.65%	27-Jun-12	27-Feb-13	5,000,000
STANDARD BANK	088430537161	8	5.63%	27-Jun-12	27-Feb-13	6,000,000
ABSA GROUP	2072389668	9	5.80%	29-May-12	28-Feb-13	9,000,000
INVESTEC	MM12032707161	12	6.13%	27-Mar-12	26-Mar-13	5,000,000
NEDCOR BANK	7881501480000118	12	6.12%	27-Mar-12	26-Mar-13	2,000,000
STANDARD BANK	088430537158	11	6.10%	7-May-12	7-Apr-13	5,000,000
STANDARD BANK	088430537159	12	6.18%	7-May-12	5-May-13	10,000,000
STANDARD BANK	088430537160	12	6.05%	29-May-12	28-May-13	14,000,000
						263,000,000

CHAPTER 5 : GOOD GOVERNANCE AND PUBLIC PARTICIPATION – (KPA 5)

OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS

The function of Executive and Council within the Municipality is administered by the Office of the Executive Mayor and Municipal Manager.

All decisions are taken by the Council, the Executive Mayor in consultation with the Mayoral Committee, or senior officials in terms of authority delegated by legislation and/or the delegations of authority adopted by the Council on 1 December 2004, and revised on 28 November 2007.



PORTFOLIO COUNCILLORS AND MEMBERS OF MAYORAL COMMITTEE

Economic Development	Cr N O'Connel
Tourism	Cr Y Vara
Infrastructure	Cr V Balura
Finance and Corporate Services	Cr N Pieters
Health and Special Programmes	Cr N Vanda

MEMBERS OF THE COUNCIL AS AT 30 JUNE 2011

De Vos D S W	Speaker of Council (Chairperson)
Kekana K E (Ms)	Executive Mayor
Bezuidenhout D J	Baviaans
Mali M C	Blue Crane Route
Knott-Craig A R	Camdeboo
Pannies A F	Camdeboo
Mngwevu S A	Ikwezi
Baxter F	Kouga
Blouw Z A	Kouga
Koliti B C (Ms)	Kouga
Jacobs S (Ms)	Kou-Kamma
Mohr T	Kou-Kamma
Ngeleza T C (Ms)	Makana
Guest J (Ms)	Ndlambe
Ncamiso K C (Mrs)	Ndlambe
Tarentaal M (Ms)	Ndlambe
Grootboom T R	Sunday's River Valley
Jagers H (Ms)	Sunday's River Valley
Reynolds L M	Makana
Wells J C (Ms)	Makana
Balura V M	African National Congress
Lucas S	African National Congress
O'Connel N J	African National Congress
Pieters N N (Ms)	African National Congress
Vanda N (Ms)	African National Congress
Vara Y P	African National Congress
Gailey R M	Democratic Alliance
Goliath E	Democratic Alliance
Hendricks H M	Democratic Alliance
Nortjé A L	Democratic Alliance

Six meetings of Council were held during the year under review.

The following committees have been established to deal with specific issues and make recommendations thereon to the Mayoral Committee, or the Council via the Mayoral Committee. The number of meetings of these committees held during the year under review are indicated below:

COMMITTEE/FORUM	NUMBER OF MEETINGS 2011/12
Mayoral Committee	14
Audit/Performance Audit Committee	5
Bid Committees	14
Cacadu District Mayors' Forum (IGF)	3
Municipal Managers Forum	5
Cacadu District Health Council	-
Local Labour Forum	5
District Aids Council	-
District Wide Infrastructure Forum	3
Chief Financial Officers Forum	2
Heritage Advisory Committee	-
Budget Committee	2
Oversight Committee (MPAC)	3
Disaster Management Advisory Forum	
District Communicators Forum	4
Council	6
Training	1
Remuneration	2
Transitional Facilitation	3
Relocation Committee	2
Rules Committee	1

Strategic objectives

- Improve municipal governance
- Create closer linkages with constituency
- Promote effective and transparent communication

Key issues for 2011/2012

- Establishment of Municipal Public Accounts Committee
- Reconstitution of Rules Committee
- Establishment of Budget Steering Committee
- Establishment of Remuneration Committee
- Commencement of MDB process for alteration of municipal boundaries
- Visit by NCOP 13 September 2011
- Strategic Planning Workshop in September 2011
- Visit by MEC for DSRAC
- Visit by MEC for Transport, Roads and Public Works
- Womens Pre-Summit
- Mayoral Committee Outreaches to local municipalities

PUBLIC PARTICIPATION AND CONSULTATION

District Public Participation Forum

During the year under review, a District Public Participation Forum was established and held regular meetings. Membership of the Forum comprises of all Community Development Workers, the Department of Local Government and Traditional Affairs, Speakers and officials responsible for Public Participation from local municipalities and the District Municipality.

Assistance to local municipalities with public participation matters

The District Municipality assisted all 9 local municipalities to develop Public Participation Policies and Strategic Plans.

Good Governance Surveys were conducted in Blue Crane Route, Camdeboo and Ikwezi local municipalities. Three more municipalities will be assisted in the 2012./2013 financial year.

Mayoral Committee IDP and Budget Outreach to Local Municipalities

The Mayoral Committee and officials of the District Municipality conducted an outreach to all nine local municipalities in the District during May 2012. The purpose of the outreach was to present the draft IDP and Budget of the District Municipality and how it would affect them, to the Councillors and stakeholders of each local municipality.

Local Municipality councillors and stakeholders were given an opportunity to raise issues where assistance was required from the District Municipality. Many issues were raised and were captured and an action sheet to be dealt with by the various departments of the District Municipality.

Former District Management Area

Although the District Management Area was disestablished in May 2011, the Cacadu District Municipality continued to have interaction with some of communities in the former District Management Area areas when required, together with representatives of the local municipalities into which they have been incorporated, in order to ensure a smooth transition of government and ensure that the needs of the communities continue to receive attention.

Moral Regeneration Movement (MRM)

During the year under review, the Moral Regeneration Movement structures which were established during a previous financial year, continued to meet on a regular basis. Continuous Outreaches and strengthening of the movement took place.

Provincial Executive Committee Outreach to Cacadu District - October 2010

The Provincial Executive Council resolved to engage in an extensive EXCO outreach programme once a year for the duration of the 2009-2014 term of office, during which it visits the six districts and the Metro and engages with the municipalities and communities. The first Outreach to Cacadu was held in July 2009. The second Outreach by Premier of the Province together with Members of

the Executive Council and senior provincial officials to Cacadu District took place on 21 / 22 October 2010.

The Outreach which was planned for 2011/2012 did not take place in May 2012 as planned. It was postponed to July 2012 and a report thereon will therefore be included in the annual report for the 2012/2013 financial year.

Other engagements during the year included:

- NCOP outreach to Cacadu local municipalities
- Screening of State of the Nation address on a big screen in Sundays River Valley on 9 February 2012.
- Screening of State of the Province address on a big screen in Aberdeen, Camdeboo on 17 February 2012
- Screening of Budget Speech 2012/2013 on a big screen in Sevenfountains, Makana on 22 February 2012

WARD COMMITTEES ESTABLISHMENT AND FUNCTIONALITY

Cacadu District Municipality does not have any ward committees but assists local municipalities with establishment and training of their ward committees. There are 74 wards in Cacadu local municipalities. Ikwezi Local Municipality elected its ward committees for the first time and the process went smoothly. The ward committees were trained and they signed a pledge of commitment. Baviaans Municipality remains a challenge. However, the Municipality has made a commitment to have its ward committees established by end of January 2013.

COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING

Cacadu District Municipality does not have any Community Development Workers reporting to its council; however there is continuous interaction with them with regards to programmes of the council where they serve as mouth pieces. They also assist in mobilizing stakeholders for consultation.

The District Municipality together with the Department of Local Government and Traditional Affairs held four round table discussions where all stakeholders discussed issues affecting the programme and agreed on various solutions.

All nine Local Municipalities have signed an MoU confirming their commitment to support the Community Development Workers Programme. The Speakers of the Local Municipalities are playing a monitoring role and the Department of Local Government remains the employer.

COMMUNICATION STRATEGY

The Cacadu District communication strategy was reviewed in September 2011 and was presented to the District Communicator’s Forum (DCF) on 17 November 2011. Additions were made based on feedback from stakeholders and the strategy was aligned to the new IDP priorities tabled and adopted at a Council meeting on 23 May 2012. The new Cacadu District communication strategy will be tabled for adoption by Council early in the 2012/13 financial year.

The District Municipality assisted Local Municipalities (Ikwezi, Blue Crane Route, Makana, Ndlambe and SRVM) with the review of their communication strategies as well. The strategies of the District and the majority of Local Municipalities are therefore aligned. There are 4 Local Municipalities where the communication strategies are not aligned, either due to the lack of communication capacity (Kou-Kamma and Camdeboo) or because the strategy was already adopted by the relevant Council (Baviaans and Kouga).

The Cacadu District Municipality Communication Core team (PRO, GCIS and OTP) continued to meet on a monthly basis to assess the communication environment, needs of Local Municipalities and rapid response issues. The Cacadu District Municipality again assisted to a large extent with the planning of the Executive Council Outreach by the Office of the Premier.

During the 2011/12 financial year, a total of 4 DCF’s were convened, with participation by both government departments and Local Municipalities.

The various components of the Communication function have been decentralized in the institution, with the various responsibilities being assigned as follows:

	Responsibility
Media Relations Media statements on behalf of the Municipality, Opinion Pieces & Articles Media Relations and Liaison (Council meeting, Agendas, Media Briefings)	Public Relations Officer (MM is official spokesperson)
Work closely with Admin Officer in Speaker’s Office	Public Relations Officer
Communications Research Content Development and Management Media Monitoring and Communication Environmental Analysis	Public Relations Officer Public Relations Officer MM’s Office
Speech Writing	Public Relations Officer
Website Content Management	Public Relations Officer Public Relations Officer Speaker’s Office
Branding and Corporate ID Key messages for Campaigns and Projects	
Corporate Communications & Marketing Internal and External Communications (Newspaper)	Public Relations Officer
Marketing (Institution and its Services)	Public Relations Officer
Events Management	Public Relations Officer, Speaker’s Officer, MM’s Office

Convening the District Communicators' Forum and Support to Local Municipalities	Public Relations Officer
Outreach and Community Liaison	
Inter Governmental Relations	Senior Admin Officer, Office of the Executive Mayor
Publication of external community newspaper	Public Relations Officer
Outreach Programmes	Speaker's Office
Community Liaison	Speaker's Office
Izimbizo	Speaker's Office
Stakeholder's Liaison and Mobilization	Speaker's Office
Local Government Communication	Speaker's Office

INTERGOVERNMENTAL RELATIONS

Cacadu District Municipality adopted its IGR policy in 2005 and has implemented it on an ongoing basis since then. The meetings of the IGR Forums are reported on under "Overview of the Executive and Council functions" above.

The Municipality has partnership agreements with two municipalities in South Africa, namely the Nelson Mandela Bay Metropolitan Municipality and the Cape Winelands District Municipality. It has also entered into an agreement with the Peoples Municipality of Jincheng City in China, in terms of which areas of co-operation are being explored.

LEGAL MATTERS

1. Setting up of Legal Units

There is one legal officer who is responsible for litigation, to ensure compliance with all relevant Acts and Regulations, provide legal opinions in legal actions leveled against the Municipality, give advice on labour matters, assist in investigations relating to disciplinary hearings, prepare legal documents such as lease agreements, contract etc, provide legal support to local municipalities and attend to all legal matters of the municipality. There are however complex legal issues that are dealt with by external legal service providers. The names of the firms which were used during the period under review are, Rushmere & Noach Attorneys, Boqwana Loon & Connellan Inc, Goldberg & De Villiers Inc. Chris Baker & Associates, Mgoduka Attorneys.

2. Management of litigation

- a. Favourable cases - Nil
- b. Unfavourable cases - Nil

There is one case pending that has not been finalized, which has been set down for hearing in court sometime in 2011 as detailed hereunder:

Case name	Nature of the case	Date of commencement	Reasons for extensive duration
CDM v Raj Maharaj & Associates	Claim for damages as a result of poor workmanship	November 2004	A new trial date is awaited, the matter could not take place on the day it was set-down due to non-availability of witnesses and it was removed from the roll.

3. Default judgments - Nil

4. Prevention mechanisms of current litigations

The CDM Risk Management Strategy incorporates the assessment of legal risk and the strategies that can be put in place as prevention mechanisms for such risks as identified.

5. **Criminal matters emanating from corruption and fraud** – there is one matter that is emanating from circumvention of supply chain management policy which is still pending.

6. **Management of Legal Risks**

There is no specific policy dealing with management of legal risk, this is dealt with in the Municipality's Risk Management Strategy.

PART 3

FUNCTIONAL AREAS REPORTING AND ANNEXURES

NOTE:

Functional Areas Service Delivery reports are included only for those areas which have not already been comprehensively covered in Part 2 of this report.

FUNCTION : FINANCE AND CORPORATE SERVICES

SUB-FUNCTION: FINANCE (Budget and Treasury Office)

Overview

This includes all activities relating to the finance function of the municipality, including revenue collection.

Description of Activity

The function of finance within the municipality is administered by the Budget and Treasury Office of the Department: Finance and Corporate Services, and includes:

- provision of relevant, accurate and reliable financial information to all users including councillors, managers and stakeholders to facilitate informed decision making
- provision, maintenance and implementation of sound financial policy, controls and systems
- ongoing introduction of budgetary and accounting reforms
- production of annual budget and annual financial statements
- internal audit and risk management
- the maintenance of an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds. All monies owed to suppliers and service providers are paid within 30 days of receiving the relevant invoice or statement unless there are special arrangements
- provision of financial advice to the Mayoral Committee, Council and Departments
- administration of the investment and insurance portfolios of the municipality
- management of conditional grants
- asset and liability management
- revenue collection and cash flow management
- capacity building by way of training interns, councillors and officials.

Strategic Objectives

- ensure long-term financial sustainability

- ensure full compliance with all accounting statutory and legal requirements including implementation of the MFMA
- implement revenue generating strategies and lobby for additional equitable share of National Revenue
- recover outstanding monies owed by the Provincial Government in respect of health subsidies and long term liabilities
- provide support to nine local municipalities

Key Issues for 2011/2012

- Developed a new supply chain management policy with the assistance of GIZ
- Produced Operating and Capital budget in the prescribed format and within the specified guidelines and timeframes;
- Produced GRAP compliant Financial Statements within the required timeframes;
- Improvement of financial system with regards to
 - infrastructure projects;
 - internal controls;
 - budget control;
 - new budget formats;
 - Supply Chain Management
- Compliance to MFMA reporting requirements;
- Provided Supply Chain Management and GRAP training to all Local Municipalities that comply with the National Qualifications Framework (NQF);

Analysis of Function

An analysis of the function is contained in the Annual Financial Statements which appear on pages 36 - 105.

FUNCTION : FINANCE AND CORPORATE SERVICES SUB-FUNCTION: HUMAN RESOURCES

Overview

Includes all activities relating to the Human Resource Management function including recruitment, selection, induction, people management, and payroll administration.

Description of Activity

Human Resource Management is a specialized function which provides support services for other managers in the institution to enable them to make optimal use of their personnel, and includes the following:

1. Developing and revision of HR Policies and Procedures
2. Recruitment and Selection –

The recruitment, including overseeing the preparation of job descriptions, advertising, interviewing and appointment of personnel and the development of manpower planning strategies.

3. Induction of new officials
4. Skills Development Facilitation
5. Employer/Employee Relations
6. Employment Equity

Strategic Objectives

- Maintenance and review of personnel policies.
- Effective functioning of the Local Labour Forum and maintenance of labour peace.
- Employment equity and skills development.
- Human resource planning and capacity building.
- Organisational development.
- Provide support to Local Municipalities.

Key Issues for 2011/2012

- Adoption and implementation of Workplace Skills Plan for 2011/2012
- Development of the Employment Equity Plan for submission to the DOL
- Adoption and submission of Employment Equity Implementation Plan (DOL)

- Monitor implementation of Employment Equity Plan
- Review of institutional arrangements
- Training programmes conducted for employees and councillors of district and local municipalities in the following skills –

NO	COURSES	NO BENEFITED
1	Project Management	8
2	Business Writing Skills	2
3	Consumer Protection Act and Protection of Personnel Information	2
4	Improving the Working Partnership Between Municipal Management and Political Leadership	15
5	Time Management	2
6	Effective Report Writing and Meeting Coordination	5
6	Advanced Excel	2
7	Fire Fighter 1	1
8	Public Sector Monitoring and Evaluation	1
9	Hazmat Awareness Course	1
10	English Grammar Workshop	8
11	Environmental Health National Indicators Standardisation Workshop	3
12	Symantec Endpoint Protection	1
13	Caseware Fundamentals	2
14	Caseware refresher	4
15	People Management	4
16	Bid Committee Training	15
17	Payroll Benefits	12

STUDY ASSISTANCE AND COUNCIL INITIATED EMPLOYEE DEVELOPMENT

NO	QUALIFICATION	NO BENEFITED
1	Diploma: Public Management	1
2	Diploma: Administrative Management	1
3	Higher Certificate: Archives and Management	1
4	Honours: Bcom Auditing	1
5	Diploma: Human Resource Management	2
6	Masters: Public Infrastructure	1
7	Programme in Project Management	2
8	Diploma in Local Government Law and Administration	3
9	Local Government Accounting Certificate	3
10	SAICA/DELOITTE Treasury Competency Requirement Project	2

Analysis of Function

NO	Number and cost of all municipal staff employed:	Number	Total Cost 2011/2012 R
01	Top Management	65	8913805.56
02	Senior Management	1	692531.18
03	Management/Specialist	16	7357039.53
04	Skilled/Jnr Management	26	3561462.38
05	Semi- Skilled	52	10325225.46
06	Unskilled and defined	22	812835.62
	Total	182	31662899.73

FUNCTION : FINANCE AND CORPORATE SERVICES
SUB-FUNCTION: INFORMATION TECHNOLOGY

Overview

Includes all activities relating to the provision, maintenance and protection of all relevant Information Technology systems including a web site and maintaining and protecting the integrity of the corporate data required by officials of CDM.

Description of Activity

The function is administered as follows:

The CDM's information systems and hardware is owned by the municipality and the support is provided by external service providers.

The Municipality's website is maintained by an external service provider under the guidance of a committee of senior officials appointed to monitor content and accuracy of input and ensure that the website is constantly updated.

While most ICT staff fall under the Finance and Corporate Services Department, some specialist information systems, such as GIS, are maintained by personnel in other departments.

The IT function includes:

- APPx Financial System application development as required
- User training and Telephonic Support
- All necessary data file updates
- All necessary APPx software upgrades
- All system and user documentation as required
- Backup function: System and data backups on a daily, monthly and annual basis
- Data Capture: All data as required for transaction processing and month end functions
- Reporting duties: Printing of all required accounts and necessary reports
- Batch runs: Process and run the daily, weekly and monthly batches
- Internet and E-mail administration and support
- PC and Network administration support
- Desktop Support
- Setup and maintenance of Connect-with-Cacadu library project
- Network support
- Training of Intern

Strategic Objectives

Ensure that the CDM can maintain accurate and reliable accounting records through systems development and accurate processing.

Key Issues and Projects for 2011/2012

- The Connect with Cacadu installations in 36 libraries were maintained on an ongoing basis. There are currently 23 000 users of the system.
- GIS server was installed, which is being used for regional GIS purposes.
- Upgraded the backup software from Symantec Backup Exec 2010 to Symantec Backup Exec R3 2010.
- Processing of cheques was changed so that any payments greater than R500,000 will create multiple cheques of not more than R500,000 each.
- Supply Chain Management system has been updated with the following: BBBEE rating, annual reregistration, application forms can be scanned in, SCM console.
- Developed National Treasury reports
- Payslips are now emailed to employees.
- Orders system changed so that buyer must enter quotes if purchase over R2,000.
- Passwords required for cheque run now request to be changed every 30 days.
- New bank reconciliation system written.
- Deviation forms have now been computerized and linked to the order system.
- Upgraded the antivirus and spy-ware to Symantec Endpoint protection 12.1 RU 7.
- Installed MS Exchange 2010 and removed Exchange 2003.
- Upgraded secondary Active Directory from Windows 2003 to Windows 2008
- New Windows File Server 2008

FUNCTION : FINANCE AND CORPORATE SERVICES
SUB-FUNCTION: OTHER ADMIN (SUPPORT SERVICES)

Overview

Includes all activities relating to supporting the organisation, including providing Secretarial Services and Auxiliary Services to Council and Committees, Archives and Central Registry, Legal Services and Property Management

Description of Activity

The support services are administered by the Corporate Services Division of the Department : Finance and Corporate Services, and include the following:

1. Secretarial/Auxiliary Services

The Secretariat provides secretarial and administrative support services to the Council, Mayoral Committee, and other committees established for specific purposes (see list under Function: Executive and Council). These services include meeting arrangements, printing and distribution of agendas, keeping of minutes of all meetings and ensuring that resolutions are executed.

2. Archives and Central Registry

The Central Registry and Archives office is responsible for receiving, tracking, filing and retrieving all documents addressed to and leaving the offices of the CDM.

3. Legal Services/Property Management

This includes:

- Contract administration
- Dealing with legal proceedings instituted by/against the Municipality
- Dealing with all matters relating to Municipal-owned property including acquisition/alienation, leases, valuations

Strategic Objectives

To provide cost effective administrative support services to the Council and its committees and departments.

Key issues for 2011/2012

- The Council, Mayoral Committee and other committees/forums held regular meetings during the year under review

Analysis of function:

Number and cost of personnel associated with the Support Services function:

Secretariate	3
Auxiliary Services	8
Legal and Property Management	1

TOTAL COST

Grants and subsidies received:

None

FUNCTION: FINANCE AND CORPORATE SERVICES
SUB-FUNCTION: OTHER ADMIN (PUBLIC RELATIONS)

Overview:

Includes all activities related to communication, marketing, publicity and media co-ordination for the Municipality and the district (geographical area).

Description of activity:

This function within the Municipality is administered by the Department of Finance and Corporate services and includes:

- Promoting the Municipality by providing sufficient information to the public and staff about Municipal issues.
- Co-ordinating municipal events such as Public Participation Programmes (together with Speaker's Officer), community meetings, project launches and handovers.
- Promoting and managing the Municipality's corporate identity and public image.
- Formulating and maintaining the Municipality's Communication Strategy, while also assisting the Local Municipalities in this regard.
- Stakeholder management.
- Review and maintenance of a communication strategy for the District Municipality, while also rendering assistance in this regard to Local Municipalities.
- Production of the quarterly community newspaper.
- Internal communication.

Strategic objectives:

- Build good relationships between the Municipality and identified target publics (internal as well as external) and stakeholders.
- To further public understanding about the Municipality's services, policies, procedures, goals and activities.
- To uphold the image and reputation of the Municipality.

Key issues for 2011 – 2012:

- The publication of four issues of *Cacadu News*, the official external newspaper of the Cacadu District Municipality.
- Profiling of new council members in appropriate media channels.
- Assistance to Ikwezi Local Municipality with the publication of *Ikwezi Chronicles* – a quarterly community newsletter for residents of Ikwezi.
- The establishment and coordination of the monthly Communication Core team meetings, consisting of a representative from the Office of the Premier, Government Communication

and Information Systems, the Speaker of Council, the Public Relations Officer and other representatives of the Cacadu District Municipality.

- Coordination of the quarterly District Communicator's Forum, which convened four times during the 2011/2012 financial year.
- Ongoing communication with media, media management of key municipal issues and media support to council meetings.
- Meetings with Local Municipalities as and when required in order to assess communication needs.
- Maintenance of the municipal website of the Cacadu District Municipality.
- Providing communication, branding and media support to district events, such as the IDP Roadshow of the Cacadu District Municipality, which took place in May 2012. Representing the Municipality at national events such as the Getaway Show (Sept 2011) and Tourism Indaba (May 2012).
- Development and implementation of media campaigns for Municipal programmes, such as the Connect with Cacadu initiative.
- Assisting with the successful execution of events such as the visit by the Dr Ruth Mompoti District Municipality in April 2012. Co-ordination of the communication surrounding the State of the Nation Address, State of the Province Address and the Budget speech.

Analysis of function:

Number and cost of personnel associated with the Public Relations function:

1 Public Relations Officer Cost: R214 531

Grants and subsidies received:

None

FUNCTION: PLANNING AND DEVELOPMENT
SUB-FUNCTION: DISTRICT WIDE STRATEGIC PLANNING

Overview

This includes all activities relating to the formulation, monitoring of implementation, evaluation and review of strategic plans for the entire district.

Description of the Activity

The function of **integrated development planning** is administered by the Department: Infrastructure Services and Planning.

The main activity is to formulate a **five year strategic plan**, monitor and support those implementing the plan, and review the plan annually, in terms of Chapter 5 of the Municipal Systems Act 32 of 2000 (including notice R796 regulations) and in terms of the Municipal Finance Management Act 56 of 2003

Strategic objectives:

- Integrated development planning for the district as a whole, including a framework for integrated development plans of all category B municipalities. This includes the development and / or review of the following:
 - The Spatial Development Framework. (SDF)
 - Updated socio-economic profiles.
- To become an established and effective integrated development planning authority in the Cacadu District through:
 - Facilitating the District's service delivery through infrastructure and services that are planned, delivered and managed in such a way that supports the District's vision and priorities.
 - Facilitating the prioritization of infrastructure projects and programmes that support the District's vision and priorities.
- Co-ordination and support to the planning function of local municipalities

Key issues for 2011/2012

- The prompt preparation of the District Municipality's Integrated Development Plan for 2012/2013, which included the following key activities:
 - Development of a district-wide IDP Framework Plan that was adopted by the District Municipality and used to develop Process Plans for all category B municipalities their IDP preparations.

- Compilation of an IDP & Budget Schedule in conjunction with the Finance Unit, in line with the MFMA.
 - Facilitation of various meetings and workshops with the following stakeholders: nine category B municipalities; provincial sector departments; private business sector; public entities; NGOs & CBOs
 - Formulation and adoption of the District's Development Priorities.
 - Analysis of Development Priorities identified
 - Crafting of Objectives and Strategies that will assist in driving the District's Development Priorities.
 - Identification and prioritization of Projects that will assist in achieving the District's objectives.
 - Collection and capturing of Sector Plans and Operational Strategies into the IDP
 - Development of new plans in areas where plans were not in place
 - Aligning and integrating programmes and plans to the PGDP of the Eastern Cape government
 - Strengthening and improving public participation
 - Preparation of IDP document and submission thereof to Council for approval
 - Submission of an approved IDP document to the MEC: Local Government and Traditional Affairs
 - Development of capacity within CDM departments through using CDM resources as opposed to engaging external service providers
 - Fulfilling horizontal alignment between municipalities and vertical alignment with the other spheres of government
- The IDP was compiled without assistance from external service providers. Doing work in-house assist in ensuring staff participation and increases the strategic planning capacity within the CDM.

Analysis of Function:

IDP support to the nine category B municipalities is delivered using the following 'vehicles':

- The District Framework Plan that serves as a guide on critical steps in planning and timeframes.
- IDP Representative Forums
- Attendance of Local Municipality's IDP / Budget engagements
- All nine Municipalities are supported financially by CDM in the development of their IDP's
- Hands on support is given to the Local Municipalities in the compilation of the Community based Plans

Support is given to the nine Local Municipalities on other Planning issues.

In-house development and review of the CDM IDP

Number personnel associated with the Planning function:

1x Head: Planning

2x Development Planners

FUNCTION: PLANNING AND DEVELOPMENT
SUB-FUNCTION: OTHER (CAPACITY BUILDING)

Overview

According to Section 83(3) of the Municipal Structures Act (MSA) No.117 of 1998, district municipalities have an obligation to assist local municipalities within their demarcated areas by building their capacity to perform their functions and exercise their powers where such capacity is lacking.

Description of the Activity

The function of capacity building is co-ordinated by a Capacity Building Unit in the Office of the Municipal Manager. Capacity building initiatives are however performed and/or managed in all Departments of the CDM.

The activity is performed by implementing initiatives aimed at empowering local municipalities to enable them to discharge their constitutional mandate and meet specific legislative prescripts. These initiatives include:

- co-ordinating district wide capacity building and training projects
- conducting specific capacity building and training projects per local municipality based on identified needs
- ensuring the efficient utilization of resources
- compiling, maintaining and managing a district information management system in collaboration with all departments.
- sourcing funds for the implementation of programmes and projects within the district.
- establishing knowledge sharing networks within and beyond the district aimed at strengthening capacity building initiatives in the district.

Strategic objectives:

Local municipalities that are:

- able to perform their legislated powers and functions and efficiently deliver cost effective services to their communities
- Self-sufficient, developmental in nature and financially sustainable.
- Closely networked and have functioning knowledge sharing structures both within the district and beyond.

Key issues for 2011/2012

Initiatives in the following categories were implemented or were in progress for capacity building and support to local municipalities during the year under review:

1. Institutional

Under institutional Capacity the focus areas were organization development, Human Resources Management and corporate governance and activities included the following:

- Review and re-align structure into Roles and Responsibilities and Delegations
- Update job analysis and job descriptions
- Conduct Skills Audit
- Create and Implement a Workplace Skills Plan (WSP)
- Implement PMS at all levels
- Develop an Internal Communication Strategy
- Review policies and procedures

2. Financial

Under financial support the focus areas were financial planning, budget and budgetary controls, annual financial statements, internal audit, audit committees, credit control and debt collection, property rates and procurement, which included:

- Ensure updated indigent register is in place
- Conduct practical MFMA training
- Produce monthly cash flow statements
- Complete and submit annual financial statements
- Ensure asset register is in place and review annually
- Ensure internal audit is in place
- Ensure audit committees are in place
- Develop and implement policy and conduct staff training on Supply Chain Management Policy and Procedures

3. Technical

Under technical support the focus areas were infrastructure support and engineering support, and included training and support in:

- MIG Implementation
- Development of Infrastructure Plans
- Land Use Management system
- Land Usage and Building Control
- Technical Skills Enhancement

- Cyclical and preventative maintenance and construction of roads and storm water drains
- Electricity generation and reticulation according to REDS prescription
- Koukamma – R1 million from Province to undertake water related interventions
- Ikwezi – Buying of chlorinators and training of staff
- Ndlambe – technical support with regards to the Bulk water Project
- Erasmus Kloof – EIA's
- Kouga – water demand management project (funding and technical support)
- Development of Waste Management Plans
- Section 78(3) Assessment, shared service model for the Karoo Municipalities

4. **Planning**

- Review and assess IDPs: All local municipalities were supported both financially and technically
- Establish and implement the Spatial Development Framework
- Eradication of housing backlogs

Other capacity building initiatives that were implemented by Departments are reported on in the other Functional Service Delivery reports in this Chapter.

Analysis of Function:

Number and cost of personnel associated with the Capacity Building function:

- 1 Capacity Building Manager @ R585 000
- 1 Administrative Officer (Vacant)

FUNCTION: COMMUNITY SERVICES
SUB-FUNCTION: ENVIRONMENTAL HEALTH

Overview

Includes all activities relating to the provision of Environmental (Municipal) Health Services (MHS).

Description of activity

The function of Municipal Health Services in the Municipality is administered as follows:

The Municipality has entered into agreements with the local municipalities of Kouga, Blue Crane Route, Camdeboo, Makana and Ndlambe, and Sundays River Valley to render MHS on its behalf in their respective areas of jurisdiction.

Cacadu District Municipality (CDM) has three (3) Environmental Health Practitioner's (EHP's) that render Municipal Health Services in Kou-Kamma, Ikwezi and Baviaans Local Municipalities and the services are running smoothly. The District Management Area (DMA) which was serviced directly by CDM EHP's was disestablished after 2011 local government elections.

The function includes the following activities:

- Water Quality Monitoring
- Food control
- Waste Management
- Health surveillance of premises
- Pauper Burial
- Surveillance and Prevention of Communicable Diseases
- Vector control
- Environmental pollution control
- Evaluation of Cemeteries, mortuaries and funeral undertaker establishments
- Attending to applications for exhumations and re-burials
- Active Environmental Education Sessions and Awareness Campaigns/ Programmes

The function as rendered by the Municipality excludes Port Health, Malaria Control and Hazardous Substances which is the function and the competency of the Eastern Cape Department of Health.

The strategic objectives of this function are to improve the health status of communities serviced through the identification, evaluation and control of critical factors that affect the physical, social and mental well-being of communities. MHS/EHS are mainly preventative health services, and are therefore largely protecting public health and preventing health hazards/risks and diseases.

Key issues for 2011/2012:

- Highlighting and reporting a district overview of water quality in structures such as Mayoral Committee, District Wide Infrastructure Forum, Municipal Managers Forum and the District Mayor's Forum
- Maintenance of Environmental Health Joint Management Committee with all local municipalities.
- Health awareness projects were held in Ikwezi, Kou-Kamma and Baviaans Municipalities on waste management, water conservation and demand management, health and hygiene (water and sanitation) and food hygiene.
- Pest control outreaches were conducted and focused on dogs and cats' vaccination, dipping and deworming in Willowmore, Rietbron, Klipplaat, Jansenville, Glenconner, Wolfefontein, Kleinpoort, Vondeling and Miller.
- Training of formal food traders on 5 Keys to Food Safety and Hygiene Practices in Baviaans (Steytlerville and Willowmore) and Ikwezi (Klipplaat and Jansenville).
- Community Food Gardens were initiated and coordinated by EHP's in the DMA (two in Kleinpoort, one in Glenconner, one in SRVM (Kirkwood), one in Kou-Kamma (Kareedouw) and two in Steytlerville).
- Waste management and clean-up campaigns were conducted in Ikwezi (one in Jansenville and one in Klipplaat) and one in Baviaans (Steytlerville) and two in Kou-Kamma (Kareedouw and Louterwater).
- The quality of water and food was monitored through routine inspections and drawing of water and food samples throughout the district.
- Disease outbreak monitoring executed with local municipalities in relation to both water-borne and food-borne diseases such Cholera, Shigella Dysentery and Food Poisoning throughout the district.

Analysis of function

Number and cost of personnel associated with Environmental Health Function

Three Environmental Health Practitioners who service Kou-Kamma, Ikwezi and Baviaans Local Municipalities and a Manager: Environmental Health Services are employed by CDM. The Manager: Environmental Health Services is responsible to co-ordinate MHS in the three (3) above-mentioned municipalities and further plays oversight and support role over the six (6) local municipalities that have entered into service level agreements to perform the service in their areas on behalf of the CDM.

The total budget for the Environmental Health Service in the financial year 2011/12 was **R9, 402,916.00**. This includes the CDM Head Office budget that is also used to service Kou-Kamma, Ikwezi and Baviaans local municipalities and an allocation/subsidy to 6 Local Municipalities that have entered into a service level agreement with CDM.

CDM contributions/subsidy to local municipalities for rendering EHS/MHS has increased substantially over the years from 2006. In the 2010/11 financial year the subsidy was based at R19.90 per capita totaling to an amount of **R6, 442,142.00** while CDM remained receiving R12.00

per capita from National Treasury, which indicates under funding of this service by National Government. In the financial year 2011/12 CDM to total contribution to Local Municipalities increased to **R7, 086,365.00** which indicate CDM seriousness in fully funding Local Municipalities as agents and ensuring that the service is properly resourced to ensure efficiency.

During the financial year 2011/12, contributions totaling to **R7, 086,365.00** were paid to the LM's for MHS as follows:

• Kouga	R1,552,554.66
• Makana	R1,658,957.19
• BCR	R 768,865.39
• Camdeboo	R 974,445.19
• Ndlambe	R1,218,391.40
• SRV	<u>R 913,151.18</u>
Total	<u>R7, 086,365.00</u>

FUNCTION : COMMUNITY AND SOCIAL SERVICES
SUB-FUNCTION: ALL INCLUSIVE

Overview

Includes activities associated with provision and upgrading of cemeteries, community halls, libraries and crèches, programmes for the empowerment of Youth, Women and the Disabled, programmes towards mitigation of the effect of HIV and Aids on communities, and heritage related matters.

Description of Activity

The implementation of Special Programmes for Youth, Women and the Disabled, HIV and Aids mitigation measures, co-ordination of the Community Development Workers (CDW) programme throughout the District, as well as preparation of business plans to access funds for and monitoring of purchase of library equipment, are administered in the Office of the Executive Mayor and Municipal Manager.

The function of provision and / or upgrading of community facilities within the Municipality is administered in the form of infrastructure projects and is performed by the Department : Infrastructure Services in response to specific requests from Local Municipalities or communities in the DMA.

The provision of cemeteries also includes administrative functions relating to acquisition, subdivision and rezoning of land, which functions are dealt with by the Department : Finance and Corporate Services, and all activities necessary to comply with any conditions attached to the land use approvals granted by other relevant bodies, e.g. landscaping, environmental management planning, layout planning, fencing, ablution facilities, etc, which are performed by the Department : Infrastructure Services.

Strategic Objectives

The strategic objectives of this function are:

- to ensure that communities are provided with facilities they need in terms of social upliftment and human dignity
- to improve the HIV and Aids status of the community

Key Issues for 2011/2012

Libraries

- Maintained “Connect with Cacadu” system in 34 libraries throughout the District, which provides access to internet and a range of educational software for use, free of charge, by communities. There are currently over 23 000 users of the system.

- Library funds distributed to local municipalities on receipt of substantiated claims for purchase of library furniture, books and equipment

Special Programmes

- Supported local municipalities with establishment of Forums for Women, Youth and People with Disabilities Empowerment
- Formed of partnership with sector departments in implementing district wide projects
- Hosted commemoration days
- Developed policies on Youth Development, empowerment of People with Disabilities and Women Empowerment
- Developed strategic plan for the above policies the District Municipality and assisted three local municipalities to develop their own strategic plans.
- Assisted Camdeboo and Koukamma to establish their Youth Forum
- Provided training on Human Rights
- Established a District SPU forum

HIV and Aids

- Provided support to local municipalities to revive their Local Aids Councils
- Conducted training for Local Aids Council members on roles and responsibilities
- Conducted HCT Campaign across the district
- Hosted Candle Light memorials across the District
- Hosted an Internal HCT Drive for CDM employees
- Conducted Community Surveys
- Commemoration of the Provincial World Aids Day

Analysis of function

No specific personnel are allocated to the function of provision and/or upgrading of libraries and other community facilities within the municipality. Staff employed for other ongoing infrastructural and administrative functions are utilised for this purpose on an ad-hoc basis.

Number and cost of personnel associated with the Community and Social Services Function:

Special Programmes Officer
HIV and Aids Co-ordinator

FUNCTION: PUBLIC SAFETY
SUB-FUNCTION: DISASTER MANAGEMENT

Overview

Includes planning, co-ordination and alignment of disaster management activities throughout the District.

Strategic Objectives:

- Mitigate disasters in the Cacadu District
- Support and Capacitate local municipalities within the District and Communities at Risk on Disaster Risk Management issues.

Description of activity

The main activity is to co-ordinate disaster management activities in the Cacadu District consistent with the provisions of the Disaster Management Framework and Disaster Management Act 57 of 2002. The framework covers the following KPAs and Enablers:

KPA 1: Integrated Institutional Capacity for Disaster Risk Management

Under this KPA, the following was achieved during the 2011/12 Financial Year:

Disaster Management plans for all nine local municipalities within the District have been drafted and adopted.

KPA 2: Disaster Risk Assessment

During 2011/12 Kouga and Ndlambe Municipalities were affected by flood disasters.

KPA 3: Disaster Risk Reduction

Cleaning of Fire Hydrants throughout the District was undertaken.

KPA 4: Disaster Response and Recovery

Kouga and Ndlambe Municipalities have been affected by floods during 2011/12. However, there has not been much recovery support for the disaster. Relief in the form of blankets and mattresses was provided to the affected municipalities. In some local municipalities, soup kitchens were set up.

Enabler 1: Information Management and Communication

Radios have been installed to improve communication in the following local municipalities:

- Sundays River Valley Municipality
- Ikwezi Municipality

An additional antennae was installed in the Oliphantskop Pass.

Enabler 2: Education, Training, Public Awareness and Research

Description of projects undertaken, public awareness programmes and how communities were involved.

Cacadu DM Centre has embarked on the following projects with local municipalities:

- Cleaning of storm water drainage system
- Fire breaks

The Disaster Management volunteers were utilized in these projects, monitored by Disaster Management Satellite Officers

FUNCTION: PUBLIC SAFETY
SUB-FUNCTION: FIRE

Overview

The Fire Services function of the District Municipality is located within the Disaster Management Centre. After consideration of the fire functionality assessment report, the District Municipality has opted for the function to be performed by local municipalities as from the 2011/2012 financial year, and has entered into agreements with local municipalities in this regard.

Description of activity

In terms of section 84(1)(j) of the Local Government: Municipal Structures Act, the District Municipality is responsible for the following:

- planning, co-ordination and regulation of fire services throughout the Cacadu District
- provision of specialized fire fighting services such as mountain, veld and chemical fires
- co-ordinating of the standardization of infrastructure, vehicles, equipment and procedures
- training of fire officers

In terms of the agreement entered into between the District Municipality and its local municipality, the District Municipality does not directly perform the function of specialized fire fighting services such as mountain, veld and chemical fires.

Strategic Objectives:

The main focus of the District Municipality in respect of Fire Fighting Services is to ensure that Capacity is built and maintained at Local Municipality level to ensure that the function is performed. In line with this, the District Municipality provides assistance to Local Municipalities in the following areas of operation:

- Development of fire services plans for their high risk areas.
- Implementation of the fire services plans, based on the fire functionality assessment, with specific emphasis on:
 - establishment of satellite fire stations in identified areas.
 - recruitment and appointment of full time fire officers.
 - recruitment of reservists and/or volunteers.
 - acquisition of fire- fighting equipment, including rescue vehicles and tools.
 - formal training of fire officers, fire fighters, reservists and volunteers.
- Lobby for funding to assist local municipalities with implementation of their fire services plans.
- Make general public awareness of the dangers of fires.

The key issues for 2011/2012

- Implementation of the Section 78 Assessment of Fire Service by entering into Service Level Agreements with Local Municipalities.
- Training of Fire Officers within the District on Fire Fighter 1, Hazmat Awareness and Basic Ambulance Assistant.
- Improved fire service delivery at local municipalities by:
 - Purchasing of Medium Pumper with equipment for Camdeboo Local Municipality.
 - Purchasing of Medium Pumper and equipment, including Hydraulic Rescue Systems for Baviaans Local Municipalities.
 - Purchasing of Medium Pumper with equipment for Makana Local Municipality.
 - Standardization of Fire Hydrants at Kouga Local Municipalities.

Funding

No funding was received from Department of Provincial and Local Government.
CDM has made an amount of R13, 213, 487 available for Fire Services for the 2011/2012 financial year.

Staff complement in the fire service unit:

1 x District Fire Services Co-ordinator
7 x Fire Reservists

Staff expenditure: R746 600

FUNCTION : ENVIRONMENTAL PROTECTION
SUB-FUNCTION : BIODIVERSITY AND LANDSCAPE

Overview

Includes activities related to the protection of flora and fauna species, the protection of habitats and the protection of landscapes for their aesthetic values.

Description of the Activity

The function of biodiversity and landscape is administered jointly by the Economic Development and the Infrastructure & Planning Department. At present the main activities are :

- ensuring participation by local municipalities in biodiversity capacity building programmes; and
- participating in meetings of planning forums such as the Greater Addo (SANParks) Planning forum, the Baviaanskloof Mega-Reserve Steering Committee, the Eastern Cape Biodiversity Implementing Committee, as well as the Coastal Management Steering Committee.

Strategic Objectives

To safeguard the District's biodiversity in terms of indigenous plants and animals and the processes that sustain them

Analysis of Function

No specific personnel are allocated to this function, which is dealt with by officials within the respective Departments.

FUNCTION: ROAD TRANSPORT
SUB-FUNCTION: OTHER (TRANSPORT PLANNING)

Overview

Includes all activities related to transport planning for the entire District in accordance with the National Land Transport Act, No. 5 of 2009 (NLTA).

Description of Activity

The road transport function of the municipality is administered by the Department: Infrastructure Services & Planning and includes:

- Review of the Integrated Transport Plan through the provision of a five-year prioritized implementation programme for the improvement of the transportation system within the District.
- Identifying infrastructure and public transport needs in the District
- Lobby for funding for transport infrastructure
- Promote road safety in the District
- Construction of public transport facilities including sidewalks
- Formulate guidelines for transport planning purposes

The Strategic Objectives of this function are to:

- To promote mobility
- Promote non-motorized vehicle usage.
- Promote public transport usage.
- Improve existing public transport facilities.
- Improve CDM road conditions.
- To promote an integration between spatial planning and transportation planning to achieve sustainable human settlements
- To provide technical support to the Local Municipalities

Key issues for 2011/2012

- Analysis of the recently developed Accident Database in collaboration with CSIR in order to treat and monitor the occurrence of road accidents for planning and road safety purposes
- Refining of the recently developed Road Prioritization Model for the prioritization of roads in the District and packaging of priorities for purposes of lobbying for funding in collaboration with CSIR.
- Adoption of the District's Integrated Transport Plan.

Analysis of Function

Statistical information not applicable as function is limited to planning only.

Number of all personnel associated with the road transport function:
1 x Infrastructure Planner

FUNCTION: OTHER
SUB-FUNCTION: OTHER : PERFORMANCE MANAGEMENT

Overview

Includes all activities related to monitoring the organisational and individual performance of the Cacadu District Municipality and its officials.

Description of Activity

The function of Performance Management within the Municipality is performed in the Office of the Municipal Manager, and includes monitoring the implementation of the Integrated Development Plan (IDP) through the SDBIP and the performance of all employees within the Cacadu District Municipality. The function also performs a supporting role to the Local Municipalities with regards to Performance Management.

Legislation states that key performance indicators and targets must be implemented to enable continual monitoring of the municipality and its administration. These indicators pin-point areas of focus for each financial year as developed through the process of public participation, and are listed in the IDP. Once approved, the IDP is married with the budget in a document called the SDBIP (Service delivery and budget implementation plan) which provides a workable management tool from which to operate under and monitor progress. The SDBIP is then used to develop a personalised performance plan system for each and every official, through the delegation of activities included in the SDBIP, and agreed upon individual performance plans. The SDBIP and performance plans of the Municipal Manager and Directors are published on the Municipal website.

Through quarterly monitoring, performance of each individual is tracked to ensure that progress remains in line with what was originally planned. The final result is included per functional area in the annual report.

Strategic Objectives

To ensure implementation of the Municipality's Integrated Development Plan and continued improvement in the standard of performance of the Cacadu District as a whole through the following: -

- Increased certainty of job roles, accountability and transparency of both officials and the institution
- Increased communication across the institution
- Provision of a platform for learning and development
- Facilitation of decision making through the clarification of goals and priorities
- Provision of early warning signals highlighting underperformance so that timely interventions can steer performance back on track
- Continual assessment of the performance of the Municipality so as to address areas requiring improvement

- Investigation and assessment of outcome indicators to guide strategic direction
- Creation of a culture of performance at CDM amongst all officials including recognizing excellent performance and curtailing and correcting poor performance
- Capacitation of officials at Local Municipalities within the District, to enable the entire District to benefit from the above

Key Issues for 2011/2012

- Entrenchment of the CDM performance management system to all employees to ensure continual monitoring of performance through quarterly reviews
- Training of all CDM employees in the above system.
- Fourth final performance reviews for the Municipal Manager and sec 57 Managers held with full performance review panels into the regulation, 2006.
- Continued refinement of the performance management automated system to ensure compliance with legislation and effectiveness of it.
- Regular quarterly performance reporting to Council on individual performance through reviews per department and institutional performance through the SDBIP.
- Continual Performance Management Support to LM's: Makana, Koukamma, Camdeboo and Blue Crane Route supported.
- Workshopping performance management with departments on a regular basis.
- Initial phase of implementing the CDM Performance Management Automated Systems Tool at Local Municipalities.
- Analysis of Function

One Senior Performance Management Systems Officer is employed to ensure the achievement of the above objectives at a total cost of R485 655 pa.

ANNEXURES

1. Performance Report 2011/12 (Page 149 - 174)
2. Auditor General's report on Annual Financial Statements and Performance (Page 175 - 179)
3. Management response to the findings of the AG report (Page 180 - 181)
4. Audit Committee report (Page 182 - 185)
5. Approved Municipal Structure (Page 186)

KEY PERFORMANCE AREAS, KEY PERFORMANCE INDICATORS, TARGETS AND VARIANCES 2011/2012

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT						
To Assist LMs to provide adequate potable water and adequate sanitation by 2010	Completed O&M Study by Ndlambe	Adopted O&M Study by Ndlambe	Water	Final report will be available in August 2012.	Complete	Budgeted 2012/13 financial year.
To ensure that there is an adequate bulk sustainable water source in the CDM region.	Rehabilitating the existing 2 reservoirs and installation of 15 bulk meters in Jansenville	Fifteen Bulk Water Meters installed and 2 reservoirs rehabilitated	Water	The programme is on target, two (2) projects have been completed and the final site inspections were held on 19 June 2012. Monies for Retention will be rolled over.	Complete	
	Upgrade and Increase the capacity of the waste water treatment plant for the community of Nieu-Bethesda	50% Upgraded and Increased capacity treatment plant operational	Water	Delays were encountered on Section 24G Application and EIA Processes from DEA (National & Provincial). EIA process is anticipated to be granted during January 2013.	Lagging	Project can only continue when the EIA has been granted by DEA (National & Provincial). Consultant will finalise in Dec '12.
	Upgrading of sanitation system in the DMA through the construction of VIP Toilet Structures in Miller(14), Vondeling(19), Wolwefontein(12), Kleinpoort(9) and Glenconner(16)	VIP Toilets Operational	Planning & Developm.	All contractors for construction of VIP Structures for Kleinpoort, Miller' Glenconner, Wolwefontein and Vondeling have been appointed, however the contractor for Vondeling absconded. Miller, Wolwefontein, Kleinpoort & Glenconner are complete. Quotations for Vondeling and demolishing of existing structures will be sourced during August 2012.	Lagging	Quotations for Vondeling and demolishing of existing structures will be sourced during August 2012.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Upgrade sanitation system of Nieu-Bethesda from VIP's to waterborne toilets	Project complete	Planning & Developm.	The project is complete. Handover Meeting was to be held on 28 June 2012.	Complete	
	Subdivision and Renovation of transferred settlements to beneficiaries names (depended on the transfer of settlements from Transnet to CDM)	Transfer of houses for Miller, Kleinpoort, Wolwefontein and Vondeling Communities	Housing	This project should be transferred to Department of Finance & Cooperate Services as the Legal Officer is dealing with transfer of DMA Settlement. Thereafter the IS & P Department will subdivide the Ervin and renovate the houses.	Lagging	A Sale Agreement has been signed. We have appointed land surveyors to conduct a subdivision where after the transfer of land will be effected to CDM. Only after that land is transferred to CDM that we will be able to then transfer it to the beneficiaries.
	Provide support to LM's to Improve on project planning, expenditure and implementation through the appointment of a consultant for EIA, Feasibility Studies and Business Plans	100% Funds spent on project planning	Planning & Developm.	Letters were sent to all LMs regarding planning assistance in order to committee the funds fully; however the Applications from LMs were received late. Not all funds will be spent by end June 2012.	Lagging	Projects will be screened by the Department during August 2012 in order to commit the funds fully.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Installation of Rietbron Solar Water Heating	All households in the DMA fitted with Solar Water Heating	Planning & Developm.	Project completed.	Complete	
	Installation of Rainwater Tanks in Paterson	1000 Rainwater Tanks installed in Paterson	Water	The contractor has been appointed for the installation of the 400 units on 1 March 2012 and to date 141 units are fully complete. The remaining 720 units will be done by the local community with the supervision of the District and SRVM. The project encountered several challenges namely: community conflicts, involvement of SRVM, establishment of PSC, delivery of tanks and price increase of material.	Lagging	The Department is planning to advertise for the services of the contractor to install the water tanks instead of appointing the local community directly during August 2012.
To provide effective and sustainable infrastructural maintenance plans	Streets paved and storm water drainage complete	Planning and Infrastructure Services	Roads	Delays encountered due to poor performance of the contractor and slow delivery of pavers by the Supplier.	Lagging	Interventions were made with the Contractor and the Supplier. The project is being fast-tracked.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Upgrade of Reborn roads & storm water infrastructure - EPWP project	500m of internal access roads paved, and 100 work opportunities created	Roads	Project completed.	Complete	
	Finalisation of Housing Transfer & Beneficiary Management in the DMA - Rietbron	500 transfers effected	Housing	There was no performance in this project due to Finance and Corporate and Planning and Infrastructure could not resolve in which department the project must be situated.	Lagging	This project will be dealt with as an operational project in 2012/13 and will not be included in the SDBIP henceforth.
To provide infrastructure development and service delivery support to LMs	Provision of a new Community Library in Reinbeck East	Construction of Library Complete	Planning & Developm.	The project was delayed by the local municipality due to land availability problems. Building Plans have been completed, sent to Makana Municipality during 2011 and awaiting approval. Tender Documentation has been prepared.	Lagging	The Department has been liaising with Makana Municipality and is anticipating advertising for the services of the contractor in August 2012.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Provision of a Community Library in Somerset East	Construction of Library Complete	Planning & Developm.	The project was delayed by BCRM as they wanted to include the library in the Multi-Purpose Community Centre. However the project was advertised and the tender evaluation report has been submitted to BAC and was awaiting approval.	Lagging	The project will be re-advertised in July 2012 as the recommended contractor wanted to increase the tendered amount
	Additions and Alterations of a Community Library in Kirkwood	Extensions and alterations of existing library complete	Planning & Developm.	BAC process delayed as the evaluation report was submitted to BAC during January 2012, however the contract was awarded on 28 March 12. There were not enough funds for tenders received until April 2012. The contractor was appointed on 11 April 2012 and construction commenced during May 2012. The project is 40% complete.	Lagging	The contractor is fast-tracking the construction and it is anticipated that the project will be completed by end September 2012.
To promote an integration between spatial planning and transportation planning to achieve sustainable human settlements	Provision of Inter-City Bus Terminal	Construction of Bus-terminal Complete	Road Transport	Camdeboo informed us that we could not commence with project as another development was being considered on the same site as that of the bus terminus. On 24 May 2012 Camdeboo Municipality informed us that we can go ahead with the project.	Lagging	Delays in the evaluation of this tender due to additional information that was required from the bidder's. The evaluation report is currently being finalised for submission in the next BAC. A service provider for the designs of this project will be selected from this panel for 2012/13 FY.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S						
Maximise the potential of CDM LMs and District Municipality to effectively and efficiently deliver services to their communities	Provision of assistance to 5 LMs in respect to GAMAP/GRAP compliance (Financial Statements) (Phase 1)	Provide assistance to 5 LM's through 1 training workshops held in GMAPP/GRAP compliance and by making available a financial management improvement plan to the 5 LM's	Finance and Admin	The participating local municipalities now have FMIP'S. SRVLM and Baviaans municipalities withdrew as they had appointed consultants. Monies were diverted late in the financial year to Koukamma and Makana municipalities.	On Target	
	GRAP Tender - Service Provider Appointed (Phase 2)	GRAP Tender - Service Provider Appointed Phase 2 - Implementation of FMIP	Finance and Admin	Caseware budget system introduced as well as budget related policies have been developed. SCM policy developed for the district.	On Target	
To provide infrastructure development and service delivery support to LMs	Water quality monitoring (in conjunction with Environmental Health) of all identified water sources through testing and sampling for all LM's	Monitoring in accordance with DWA Database	Water	Project completed.	Complete	

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
Maximise the potential of CDM LMs and District Municipality to effectively and efficiently deliver services to their communities	Collaboration with CSIR on the Road Hierarchy, Road Accident Database and Freight Transport	All 3 Studies complete	Planning & Developm.	No funding received from CSIR for implementation in 2011/12.	Lagging	Project need to be closed AS CSIR do not have funding. A final meeting will be held with CSIR in Oct '12 where a way forward will be decided.
To ensure mainstreaming of designated groups through integrated planning in the Cacadu District	To conduct GGS at BCR, Makana, Camdeboo and Ikwezi	GGS conducted at 4 LM's	Other	GGS conducted at Ikwezi. Fieldwork undertaken, focus groups held and draft report in the next Mayco.	On target	
	Review of HR, ICT and Security Policies at Koukamma	Reviewed policies at 1 LM	Other	Project completed.	Complete	
	Reviewed Rules and Orders, Roles and Responsibilities and development of a Delegations Register for Koukamma, SRV, Camdeboo, BCR, Ndlambe, Ikwezi and Baviaans	Reviewed Rules and Orders, Roles and Responsibilities and development of a Delegations Register for 7 LM's	Other	To move on with the project the LMs needed to be workshopped on the new system amendment act, rules and procedures for appointment of MM and section 57, code of conduct for councillors.	Lagging	Workshops completed and the project will continue in 2012/13 FY. New project plan has been developed.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
To increase effectiveness and promote a district-wide approach to IDPs and performance management	PMS Support to Ikwezi, BCR, Camdeboo and Koukamma into their PMS Support Requirements	Ikwezi, BCR, Camdeboo and Koukamma supported	Other	BCR, Camdeboo, and Koukamma were supported. Ikwezi was not supported. Further support was requested by Koukamma.	Lagging	Ikwezi and Koukamma will be supported in 2012/13.
	To provide Performance Management Support (PMS) Support to the 9 LM's in CDM with the implementation of the Automated CDM PMS System based on readiness for the system.	Performance Management Support (PMS) Support to the 9 LM's in CDM with the implementation of the Automated CDM PMS System based on readiness for the system.	Other	Due to the lack of response by LM's, the system could not be implemented at LM's in 2011/12. Subsequently 5 LM's responded to have the system implemented in 2012/13. BCR, SRV, Kouga, Makana and Camdeboo (not in writing as yet). The other 4 LM's responded in writing.	Lagging	System implementation will start in July 2012/13 at the 5 LM's e.g., BCR, SRV, Kouga, Makana and Camdeboo.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT						
Achieve Economic Growth by developing Strategic Sectors of the District Economy	Establish and Sustain partnership for Economic Development through engagements with Province, The Metro, other Districts and the CDM area.	Increase in new business and partnership/inkages in the District through Business Conferences	Tourism	Supported National Arts Festival Cacadu Productions programme, Biltong Festival Local Artists development, Commissioned Investment portfolio project packaging.	On Target	Investment portfolio project packaging is on progress.
	Feasibility study and Business Plan developed for establishment of District Development Agency	Council resolve on the Establishment of the District Agent	Planning & Developm.	The new DDA is currently undergoing legal registration as a Private Company. The Council has approved the Business Case and stakeholder's consultations are being rolled-out.	Lagging	As soon as CIPC confirms the registration of the entity the following stages will be pursued: 1) Advertisement for the appointment of Board Members and 2) the appointment of the CEO by the Board.
To achieve year-on-year economic growth by developing strategic sectors in the district	Tourism marketing and Trade Investment Promotion in the whole of CDM through Project Management, Implementation and Monitoring	Marketing Strategy implemented	Tourism	Participated at Tourism Indaba, Winter Campaign rolled out on Facebook, Placed advert on Explore SA and Getaway magazines, Supported National Arts and Biltong Festivals, Advertised National Arts, Biltong and Kirkwood Wildlife Festivals in Cape Town Jazz Festival 2012.	On Target	

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Install 7 wonders destination branding signage in Jeffrey's Bay for the 4th wonder of our world	Branding sign installed	Tourism	Jeffrey's Bay & St Francis sign installed (4th wonder).	On Target	
	Tourism Statistics System On-line application developed	Online application stats system integrated into travel Cacadu web-site	Tourism	Tourism stats system on-line application developed and functional.	On Target	
	Provision of support Local Municipalities' Tourism Development Initiatives	5 tourism development projects supported	Tourism	Makana and Kouga LMs supported. Sundays River Valley LM project approved by the Mayco.	On Target	Finalising specification for the appointment of service provider to execute the technical plan for SRV.
	Support to LTOs by establishing LTO's legally and Supporting their Tourism Destination Marketing programmes in - SRV - Ndlambe - Koukamma	3 established LTOs at SRV, Ndlambe and Koukamma to be supported for marketing and destination branding support project application	Tourism	Supported Baviaans, Makana, Koukamma, Camdeboo, Blue Crane Route & Ikwezi LTO's, SRV LTO registration completed.	On Target	Funding Agreement for SRV being finalised.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Sustainably managed nature reserves in the District	Maintenance plan of the nature reserves adopted and implemented	Tourism	Rapid Assessment and recommendations submitted to Mayco.	On Target	Mayco requested the project to wait for the completion of the establishment of the CDA.
	Tourism Education and Awareness Programme	Enhancement of service excellence and tourism business growth	Tourism	Training on progress, progress report submitted.	On Target	The programme only ends in July then graduation follows in August.
	SMME and Co-op Support Programme (SMME Strategy)	District-wide and structured strengthening of SMMEs & Co-ops	Planning & Development	CDM hosted the 2011/12 Imbizo in April 2012 - Prepare tender, presented to BAC for appointment of SP for Cooperative development plan, database development and Status quo analysis. Only approved in June 2012. Mayco approved project funding for Mpondo Brick that could not be procured due to year end.	Lagging	SP is appointed. Funding for both projects is rolled over. SP is appointed. On approval of rollover in August 2012, call for quotations to purchase machinery for Mpondo brick will kick-start.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Capacitating Local Agricultural Commodity Group through transferring skills in capacity (project selection, preparing TOR's Selection of mentors and M&E) for the purpose managing the mentorship programme in 6 LM's(Kouga, Camdeboo, Ikwezi, BCR, Ndlambe, Baviaans)	9 Emerging Farmer Projects mentored in 6 LM's	Planning & Developm	11 emerging farmers projects mentored in 7 Local Municipalities: Aberdeen piggery, Mimosadale (Camdeboo), Bafazi Phambili, Uitkomst, Klipplaat Hydroponics (Ikwezi), Vukuzenzele (BCRM), Rockville, Lamoney (Ndlambe), Khanya (Kouga), Woodlands (Koukamma), Sakkies (Baviaans)	On target	

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Woodlands Communal Property Association's Essential Oil Initiative	Woodlands Communal Property Association producing essential oils	LED	On receipt and on completion of the Business Plan and registration of the Cooperative, CDM presented an ITEM to Mayco to approve the transfer of the grant to the project beneficiaries for the implementation. Project Appraisal meetings with the members and LM has taken place 24th May 2012 in Woodlands, KKM LM. The implementation of this project will be rolled over into the new year. The delay in the implementation has been caused by incapacity in the department due to LED function taking on Acting-Director role for 15months.	Lagging	Project roll over has been requested. B/plan completed. Mentor appointed. PSC established. Awaiting approval by council on Rollover.
	District-wide LED Institutional Support	LED Support Structure (DST) established and enabled to implement the LED Framework	LED	1 meeting has been undertaken over this period for DST. 5 LED encounters including an international study tour was undertaken by DST members and these encounters proved success.	On Target	Budgeted in the 2012/13

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Development of business plans for at least two agro-processing enterprises	Business plan for at least two agro-processing enterprises developed	LED	(1) Aquaculture agro-processing business plan complete. (2) Grain feasibility delayed due to uncertainty of OR Tambo DM participation (which has been resolved).	Lagging	Feasibility study draft to be submitted October 2012.
To develop and enhance technical and life skills in line with labour market demands of the district in strategic sectors and the region at large	Leather craft in Kleinpoort established and operational	Leather craft project set up	LED	Project is closed due to change of priorities by local communities. CDM has facilitated a process to purchase land and property by SRV LM to use as a means to facilitate a holistic and integrated socio economic plan for the area. This is a result of a project review engagement with the community in January 2012 where it was confirmed that more social pressing needs should be prioritised more importantly access to land. SRV has submitted applications to purchase to the Dept. of Rural Development and Land reform. Application is under consideration Parallel to that there are engagements with commercial farmers to look at still social enterprise initiative for local youth for job creation, skills transfer and poverty alleviation.	Not Started	Project handed over to leadership of SRV Local Municipality.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Pellet Factory established in Reborn	Co funding agreement signed and factory set up	LED	The target for this quarter is still far from attainment. The project requires at least R5m to implement. The appointment of Project Champions to drive and lead the process, design and securing funding is the 1st step. TORs were completed to appoint two resources: Mentor and Project Manager. Call for quotation was submitted as per SCM into an open bid. That closed on the 1 June 2012. Only three prospective bidders tendered. Unfortunately the 2 bidders from the area needed to submit all necessary documents which were posted separately from the fax quotation which delayed evaluation. BAC will consider that item in August.	Lagging	Will appoint two project champions and CLO from Rietbron community by end September 2012.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
To build appropriate internal and external institutional capacity necessary to improve integration, alignment and coordination of economic development programmes	Economic Growth and Development Strategy adopted by Council	Council resolution to adopt reviewed EGDS	Planning & Developm.	Draft strategy approved by Council.	Lagging	Public participation in process. Final draft to be submitted to Council in September 2012 for approval.
	Rolling out SMME support with SEDA according to revised SLA	Rolling out SMME support with SEDA according to revised SLA	LED	The management of this partnership with Seda has been seriously affected by the incapacity of the departments to follow due processes that will ensure the relationship is managed well within agreed milestones and reports are submitted timeously. This did not happen as a result only at the end of the 2nd quarter that SLA was tabled and only at the end of the 4th Quarter that the 1st report for work done by Seda was submitted to CDM for consideration and approval. As a result funds could not be transferred but work has been delivered by the agency. Seda/CDM partnership is now been reviewed and meeting took place between CDM and Seda on the 5th June in EL. CDM/SEDA partnership comes to an end 30 June 2012 as per the current status quo.	Lagging	Funding due to Seda as per the 2011/12 FY are rolled over. Final report submitted to Mayco 8/08/2012 for approval.

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES						
To improve the health status of the community as per the principles of the district health system model	Upgrade of Kwazamukucing a clinic in Jansenville	Additions and alterations to clinic complete	Health (PHC)	Project completed.	Complete	
	Implementation of the CDM HIV and Aids Plan Priority Areas of Prevention and mainstreaming	Successful Implementation of identified priority areas	Community & Social Services	In May 2012 an HIV campaign was conducted in Baviaans. Ndlambe, Makana, Kouga, SRV and BCR were also done for 2011/12.	On Target	
To provide effective fire fighting in the district	Restored and standardised Fire Hydrants in the district	Standardised Hydrants in place for 2 LM's	Public Safety	171 fire hydrants have been installed in Kouga Local Municipality. Funds available were a limitation.	Complete	
To ensure mainstreaming of designated groups through integrated planning in the Cacadu District	Empowerment of people with disabilities through linkages with various empowerment institutions	Revive Disability Empowerment Forum in each LM	Community & Social Services	1 disable group were assisted and are registered in Sundays River Valley Municipality. Three additional disability forums were not established due to non-submission of dates from municipalities.	Lagging	The outstanding un-established forums will be established in the new financial year 2012/13 in the first quarter

Objective	Key Performance Indicator (Project)	Annual Target 2011/12	GFS	Actual & reason for variance	Performance Redress	
					State if Project is Complete, On Target, Lagging or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started
	Development of Youth through linkages with various development institutions	Formal partnership with Youth Development Agencies and a Flagship programme in all 9 LM's and Reviving of Forums	Community & Social Services	1 forum was established in Baviaans municipality and Sundays River valley Municipality keep on postponing the dates.	Lagging	Interaction with portfolio councillor for special projects has been done and the forum will be established in the new financial year 2012/13 in the first quarter.
	Women Empowerment through linkages with various women development institutions	Two legacy projects for the district	Community & Social Services	Women's Forums was established in Makana on 10 July 2012. Baviaans was established on 12 July 2012. 2 Legacy projects were identified in Kouga and Ikwezi through donating one container to each LM.	On Target	

PERFORMANCE TARGETS 2012/13			
Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT			
To provide support to LMs on planning and implementation of bulk water supply projects, contributing to the reduction of the backlog to 5% by 2017	Drilling of 7 boreholes for augmentation of water supply to Jansenville	7 Boreholes drilled	Water
	Installation of 24 Zone Meters in Jansenville	24 Zone Meters installed	Water
	Install 720 Water-tanks in Paterson	720 Water-tanks installed	Water
	Completed O&M Study by Ndlambe	Submission of O&M Study to Ndlambe for adoption	Water
	Upgrade and Increase the capacity of the Waste Water Treatment Works for the community of Nieu-Bethesda	Appointment of the Contractor	Sanitation
	Connection of 116 houses and 1 school to the sewer system	Connection of 116 houses and 1 school to the sewer system	Sanitation
	EIA's completed for the purpose to eradicate Bucket-system in Makana	EIA's completed	Sanitation
	Installation of Rietbron Solar Water Heating in Rietbron	Subsidised houses in Rietbron fitted with Solar Water Heating	Planning & Development
Ensure that WSA/WSP function is correctly placed by 2015	Assessment of WSA function in all 9 LM's	WSA Assessment complete in 9 LM's	Water
To ensure that all transport plans for all LMs are in place and are annually reviewed	Complete Reviewed ITP and adopted by Council	District ITP Reviewed and adopted by Council	Planning & Development
To promote integration between spatial planning and transportation planning to achieve sustainable human settlements	1 km of Sidewalks and walkways constructed in Krakeel in Koukamma	500m of Sidewalks and walkways constructed in Krakeel in Koukamma	Roads

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
	Provision of Inter-City Bus Terminal in Graaff-Reinet	50% Construction of Bus-terminal Complete	Road Transport
	Drafting of Spatial Development Framework	Drafting of Spatial Development Framework completed and adopted by Council	Planning & Development
To provide roads infrastructure from basic service to a higher level in key strategic areas for at least 10kms per annum over 5 years	Upgrade of Rietbron Roads & Stormwater Infrastructure	500m of internal access roads paved, and 80 work opportunities created	Roads
	Streets paved and storm water drainage complete in Somerset East (Phase 2)	Phase 2 completed	Roads
To provide support on cleanliness of the towns and townships and to mitigate health risks posed by each landfill site in all the 9 LMs by 2017	Legal Waste sites Licenced for Kou-kamma and Kouga achieved	2 Legal Waste sites Licenced and completed for Kou-kamma and Kouga	Health

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LM'S			
To Improve effectiveness in municipal financial management	Provision of assistance to 5 LMs in respect to GAMAP/GRAP compliance (Financial Statements) (Phase 1)	Provide assistance to 5 LM's through 1 training workshops held in GMAPP/GRAP compliance and by making available a financial management improvement plan to the 5 LM's	Finance and Admin
	GRAP Tender - Service Provider Appointed (Phase 2)	GRAP Tender - Service Provider Appointed Phase 2 - Implementation of FMIP	Finance and Admin
Well capacitated Municipalities on Governance and administration as per DLGTA section 46 assessment	Review of HR, ICT and Security Policies at Kouga	Reviewed policies at Kouga	Other
	Reviewed Rules and Orders, Roles and Responsibilities and development of a Delegations Register for 5 LM's	Reviewed Rules and Orders, Roles and Responsibilities and development of a Delegations Register for 5 LM's	Other
	Review of By Laws at SRV	Reviewed by laws at SRV	Other
	To conduct GGS at Koukamma, SRV and Baviaans	GGS at Koukamma, SRV and Baviaans conducted	Other

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
	Compilation of Stakeholder Audit Report	Stakeholder Audit and People Assembly Report	Other
To assist Municipalities to achieve and sustain clean audits by 2014 and annually thereafter.	Implementation of the Automated CDM PMS System	Performance Management Support (PMS) Support to the 9 LM's in CDM with the implementation of the Automated CDM PMS System based on readiness for the system	Other
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT			
Increase agricultural income to achieve a 1% year on year growth in the agriculture and agro-processing sectors.	Determine the feasibility of an exotic fruit and / or vegetable agri-incubator in BCRM	Feasibility study complete	REDI
Broaden economic participation and inclusion by increasing the number and support to small enterprises by 10%	Mobilise Funding Partners for the implementation of the Pellet Factory	To mobilise funding for the Pellet Factory	LED
	Revise existing Business Plan	Revised existing Business Plan in place	LED
	Implementation of the mohair micro-manufacturer business development support	5 micro-manufacturers trained in mohair textile production	LED
	Baviaanskloof Tourism Development Plan complete	At least five tourism micro-enterprises identified	REDI

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
	5 SMME and Cooperatives development programmes implemented.	2 SMME programmes from LMs supported. 3 Cooperatives developments plans supported	LED
Invest in natural capital to contribute to government's target of creating 20,000 "green" jobs by 2020.	Establishment of sustainable institutional arrangements to manage Fonteinsbos NR	Management plan adopted by Camdeboo Municipality Council	REDI
	Council resolution on ownership and expression of interest solicited through open tender and cons with LMs	Nature Reserve ownership declared. PPP/ or LMs	Tourism
	Determine the feasibility of an integrated waste to energy cluster	Feasibility study complete	REDI
	To support at least 1 tourism infrastructure projects by installing signage for the Greater Addo Tourism Route	1 tourism infrastructure projects supported- Greater Addo Tourism Route	Tourism
	To conduct review and implementation of tourism marketing strategy	Tourism marketing strategy reviewed and implemented	Tourism
	To support at least 3 LTO's i.e. preference be given to Koukamma, Ndlambe &SRV LTO's	Three LTO's supported	Tourism
	Install billboard in Tsitsikamma	Billboard installed	Tourism

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
	To host one tourism month domestic awareness event/tour	Domestic awareness event/tour hosted	Tourism
	Funding Support to Wilderness Foundation Training Programme (Umzi Wethu) for 6 district participants	Umzi Wethu supported through transfer of funding for skills development and capacity building	Tourism
	To collect tourism stats in Ndlambe, Sundays River Valley, Blue Crane	Visitor Information uploaded in tourism statistics system	Tourism
Regenerating at least four core towns as service and economic hubs	Establish a local multi-stakeholder partnership in Kirkwood	Local multi-stakeholder partnership SLA signed	REDI
Building local and regional networks and collaboration through the creation of partnerships with (a) government, (b) the private sector and (c) education / research.	3 LATs are established. 2 Learning encounters a including one study visits	3 LATs are established. 1 Learning encounters and including one study visit conducted.	LED
	Establish working relationship with NMMU and Rhodes University	Signed MOA with two HEI	REDI
	Establish a working relationship with the private sector in Cacadu	Establishment of district-wide business platform	REDI
	Host Investors Conference	Successful Investors Conference hosted	Trade and Investment

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
Developing skills and education base by increasing the number of semi-skilled and skilled by 10%.	Mentorship programme institutionalized and evaluated in 6 LMs	12 Emerging farmers projects mentored in 7 LM and experiences documented	Planning & Development
Create opportunities for designated groups to participate in Local Economic and Rural Development	Cooperative Registration, Financial and Project Management in 3 LM's	Registration of cooperatives for young people in all 3 Local Municipalities	Other
Improving connectivity infrastructure in all nine local municipalities	Provision of a New Community Library in Riebeeck East	Construction of Library Complete	Planning & Development
	Provision of a Community Library in Somerset East	Construction of Library Complete	Planning & Development
	Provision of a New Community Library in Alexandria	Construction of Library Complete	Planning & Development
	Additions and Alterations of a Community Library in Kirkwood	Extensions and alterations of existing library complete	Planning & Development
DEVELOPMENT PRIORITY 4: COMMUNITY AND SOCIAL SERVICES			
To provide effective fire fighting to all LMs in the district by 2017	Restored and standardised Fire Hydrants in Kouga and Ndlambe	Standardised Hydrants in place for Kouga and Ndlambe	Public Safety
	Satellite station upgraded	Refurbishment of a satellite station Complete	Public Safety
	Construction of fire station in BCRM	Fire station Constructed	Public Safety
Enhance understand of CDM communities around the 5KPA of the district annually	Implementation of POA of MRM	100% Implementation of POA of MRM	Other

Objective	Key Performance Indicator (Project)	Annual Target 2012/13	GFS
To facilitate HIV Counselling and Testing (HCT) of 87 000 community members in all LMs annually	100% Implementation of the HIV and AIDS Plan	Implementation of the HIV and AIDS Plan	Other
DEVELOPMENT PRIORITY 5: INSTITUTIONAL DEVELOPMENT			
To improve performance management system to include organizational performance by 2013	PMS Support to 9 LM's	PMS Support to 9 LM's to their support requirements	Other

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL
LEGISLATURE AND COUNCIL ON CACADU DISTRICT MUNICIPALITY**

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

- 386 to 109
1. I have audited the consolidated and separate financial statements of the Cacadu District Municipality (CDM) set out on pages XX to XX, which comprise the appropriation statement, the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011 as amended) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the CDM and its subsidiary as at 30 June 2012, and their financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 29 to the financial statements, the corresponding figures for 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.

Material Impairments

9. As disclosed in note 6 to the financial statements the municipality impaired its other receivables from non-exchange transactions by an amount of R32 151 245 (2011: R10 536 240). Included in the current year impairment is an amount of R21 987 000. This amount was withheld by the National Treasury from the equitable share allocation for the 2011-12 financial year, due to amounts remaining in the unspent conditional grant balance in the prior year. Although the full equitable share amount was spent in the prior year, the VAT portion was incorrectly retained in the unspent conditional grant balance, and not recognised to revenue. The National Treasury has indicated that this amount will not be repaid to the municipality.

Additional matter

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 60 to 64 and 67 to 71 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPP)*.
15. The reliability of the information in respect of the selected development priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

18. The financial statements initially submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of account balances and disclosure items identified by the auditors and agreed to by management were subsequently corrected.

Human resource management and compensation

19. In contravention of section 56(1)(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), an employee acted for a period longer than three months without the Member of Executive Council (MEC) for Local Government being notified.

Expenditure management

20. The accounting officer did not take reasonable steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. Prior year irregular expenditure incurred, per note 47 to the financial statements, was R18 794 045 as opposed to the current year of R9 554 701. This year-on-year improvement can be attributed to the action plan implemented by management as a result of the prior year audit.
21. The accounting officer did not promptly inform the Auditor-General, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality as required by section 32(4) (a) of the MFMA.

Procurement and contract management

22. Bids were not always evaluated by bid evaluation committees which were composed of at least one supply chain management (SCM) practitioner of the municipality as required by section 28(2) of the Municipal Supply Chain Management Regulations, 2005 (GNR 868 of 30 May 2005) (SCMR).
23. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCMR 17(a)&(c).
24. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCMR 16(b) and 17(b).
25. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCMR 22(1) & 22(2).
26. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations, 2011 (GNR 502 of 8 June 2011) (PPR).
27. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and SCMR 28(1)(a).
28. Contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the PPPFA and its regulations.

29. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service (SARS) to be in order, as required by SCMR 43.
30. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCMR 13(c).

Internal control

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in material corrections to the financial statements, the findings on compliance with laws and regulations included in this report.

Leadership

32. Improvement is needed with regard to financial reporting, compliance with SCMR and addressing information technology (IT) risks. Effort should be focused on the improvement of internal processes as well as the monitoring and review by an appropriate level of management with regard to the process to identify and disclose irregular expenditure transactions and the consideration and approval of changes to the computer security and control policy.

Financial and performance management

33. Areas where improvement is required include the preparation of financial statements, free from material misstatement and the review of compliance with SCM laws and regulations. This is evidenced by the need for adjustments related to the disclosures of irregular expenditure, and the opening balances of unspent conditional grants and accumulated surplus.

Governance

34. Further risk management activities are required by the various role players in terms of the municipality's adopted policy and strategy to deal with risks and fraud. Furthermore, the material amendments to the financial statements as well as the findings on procurement and contract management indicate that more attention is required by internal audit and the audit committee.

OTHER REPORTS

Investigations

35. Investigations completed during the financial year

Description	Reason
Emergency procurement for disaster management	Management requested that the internal audit unit focus its review specifically on the transactions involving emergency procurement for disaster management which arose due to flooding that occurred in the district during May to June 2011.

Agreed-upon procedures engagements

36. As requested by the municipality, an engagement was conducted during the year under review in respect of the correct calculations of VAT related to the flood damaged roads. The procedures were performed solely to assist CDM in verifying the VAT calculation in respect of the MIG flood conditional grant to be submitted to the National Treasury. The report was issued on 13 February 2012.

Auditor General

Auditor General

Port Elizabeth

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

**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 2012**

Management's response will be provided with reference to the relevant paragraphs in the Audit Report.

1. Audit Opinion

Paragraph 6 Opinion

The Auditor – General has concluded

"In my opinion, the consolidated and separate financial statements present fairly, in all material aspects, the financial position of the CDM and its subsidiary as at 30 June 2012, and their financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA."

The fact that the municipality has been able to maintain its unqualified audit opinion with matters of emphasis for six consecutive financial years in spite of many challenges is a remarkable achievement. Each financial year presents new challenges which have to be carefully managed to ensure that the municipality achieves a clean audit by 2014.

2. Matters of Emphasis

The matters of emphasis raised by the Auditor – General that is currently preventing the municipality from achieving a clean audit outcome are:

2.1 Restatement of Corresponding Figures

The restatement of corresponding figures mainly refer to transactions in respect of interest capitalized on conditional grants as well as VAT input tax which was not recognized as revenue which were adjusted in the books of account.

The council's decision to capitalize interest on conditional grant accounts has been rescinded and all VAT input tax on conditional grant expenditure is now being recognized as revenue.

Ongoing efforts to improve the internal control environment and the skills levels of employees have resulted in accurate and reliable financial reporting systems.

3. Report on other Legal and Regulatory Requirements

3.1 Paragraph 16

The Auditor – General concluded that:

"There were no material findings on the annual performance report concerning the usefulness and reliability of the information"

3.2 Paragraphs 18, 19 and 20

The Auditor – General also found material non-compliance with specific matters including:

- Material misstatements and disclosure items in the Annual Financial Statements which were subsequently corrected;
- An employee acted for a period longer than three months without notifying the MEC for Local Government and Traditional Affairs. Ongoing efforts are being made to improve the internal controls in the HR section to avoid non-compliance to legislation; and
- Although the Auditor – General found irregular expenditure amounting to R9 554 701 in the current financial year (R18 793 045 in 2010/2011). Management has implemented numerous additional internal controls to avoid irregular, fruitless and wasteful expenditure as well as providing Supply Chain Management training programmes. The incidents of irregular expenditure has been significantly reduced over the past three financial years as more fully details below.

4. Internal Controls

The Auditor – General highlighted matters regarding deficiencies that resulted in material corrections to the financial statements and non – compliance in the following areas:

- Compliance to Supply Chain Management Regulations. In this regard in addition to measures already referred to, Council revised its Supply Chain Management Policy in the 2011/2012 financial year to include all amendments to the Preferential Procurement Policy Framework Regulations and has developed a procedure manual;
- With regard to improving reporting in respect of Information Technology (IT) risks the municipality is developing a new IT Strategy which will result in improved reporting and controls; and
- To improve the municipality's Risk Management activities the municipality will review its controls reporting systems and will schedule regular Risk Management meetings.

Management is confident that its internal controls and governance systems will assist in it achieving a clean audit outcome in the short term.

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR **ENDED 30 JUNE 2012**

PURPOSE

The Audit Committee serves as an independent advisory body which advises the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to:

- Internal financial control and the internal audit function
- Risk management
- Accounting policies
- The adequacy, reliability and accuracy of financial reporting and information
- Performance management and evaluation
- Effective governance
- Compliance with the Municipal Finance Management Act 56 of 2003, the annual Division of Revenue Act and any other applicable legislation; and
- Performance evaluation and
- Any issues referred to it by the municipality.

In addition, the Audit Committee reviews the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the Municipal Finance Management Act 56 of 2003, the annual Division of Revenue Act and any other applicable legislation.

The Committee further is required to respond to the council on issues raised by the Auditor-General in the audit report and initiates and oversees such investigations into the financial affairs of the municipality as the council may request.

We have pleasure in presenting our report for the year ended 30 June 2012.

TERMS OF REFERENCE

The Audit Committee has adopted appropriate formal terms of reference that have been approved by the council and mayoral committee, and has executed its duties during the past financial year in accordance with these terms of reference and the relevant legislative requirements.

COMPOSITION

The Audit Committee comprises of four independent, outside members and meets at least six times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

During the 2011/2012 financial year six meetings were held.

Name of member	Qualifications	Period served	Meeting attendance					
			25-Aug-11	20-Oct-11	24-Nov-11	26-Jan-12	08-Mar-12	07-Jun-12
Mr S G Zamisa (Chair)	MBA	01/07/04 - 30/06/12	✓	✓	✓	✓	✓	✓
Prof F E Prinsloo	MCom (Accounting) CA(SA)	01/07/04 - 30/06/12	✓	✓	✓	✓	✓	✓
Prof A Singleton	MCom (Taxation) CA(SA)	01/07/08 - 30/06/12	✓	✓	✓	✓	✓	✓
Prof R Snelgar	PhD	01/07/07 - 30/06/12	✓	✓	✓	x	✓	✓

The Municipal Manager, the Director: Finance and Corporate Services, Directors of Infrastructure Services and Economic Development respectively, and representatives from the external and internal auditors attend the Committee meetings by invitation only. The internal and external auditors have unrestricted access to the Audit Committee.

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:

- Reviewed the audited annual financial statements;
- Reviewed management responses to the management report of the Auditor-General; and
- Concluded that the going concern premise is appropriate in preparing 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, as well as the “emphasis of matter” paragraph dealing with the following:

- restatement of corresponding figures due to an error discovered during 2012 in the financial statements of the entity at, and for the year ended 30 June 2011;
- fruitless and wasteful expenditure amounting R35 000;
- irregular expenditure amount to R24 million resulting from contravention of the municipality’s SCM policy and
- a significant amount of R22 million owed by National Treasury to the entity in respect of input tax not recognized as revenue and incorrectly accounted for by retaining the input tax in the conditional grant balance.

The Committee is satisfied that these matters relate to presentation and do not represent specific risk of losses to the district municipality.

The other matters raised in the balance of the report, as well as in the related management report, have been noted by the Committee, as have the measures identified by management to address these. During the 2012/2013 financial year the Audit Committee will monitor progress with the implementation of these remedial measures.

The comments in the audit report regarding the “material misstatements corrected during the audit” were also noted. It was noted that these misstatements related mainly to the following:

- Disclosure of unauthorized, irregular, fruitless and wasteful expenditure resulting from non-compliance with the SCM policy of the entity
- Opening balances of Unspent Conditional Grants and Accumulated Surplus misstated due to input tax not recognized as revenue and incorreccted accounted for by retaining the input tax in the conditional grant balance during 2010/11
- Disclosure of investments in joint ventures not consistent with the disclosure made in the prior year.

The committee further emphasised the need to meet with the Auditor-General to discuss the role and function of the Audit Committee, the expectations of the Auditor-General of the Committee as well as matters that may impact on the risks faced by the municipality over the medium to long term.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee noted the paragraphs in the Auditor General’s report stating that “Adequate risk management activities by the various roleplayers in terms of the municipality’s adopted policy and strategy to deal with risks and fraud needs improvement” and “Furthermore the material amendments to the financial statements as well as the findings on procurement and contract management indicate that more attention is needed by internal audit and the audit committee in these areas going forward.”

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.

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 Committee has noted that there has been a marked improvement in the quality of the framework and performance contracts in terms of measurability of the Key Performance Areas (KPA’s) and Key Performance Indicators (KPI’s).

The Committee has confirmed with management that reporting and monitoring is taking place as expected and progress on performance management is discussed at each audit committee meeting. Performance Measurement is a standing item on the Committee's agenda.

CONCLUSION

The Audit Committee accepts the conclusions of the Auditor-General on the annual financial statements for the year ended 30 June 2012 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

<Date to be inserted>

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)

