

2014/2015



## ANNUAL REPORT OVERSIGHT REPORT 2014/2015

This Oversight Report is based on the Annual Report 2014/2015 and is drafted and submitted in accordance with the Local Government:  
Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003)

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## 1. INTRODUCTION

The annual report is one the key instruments of transparent governance and accountability. It is a post-financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year, in this instance 2014/2015. The adoption of an annual report is a legislative requirement in terms of the Local Government: Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003).

### 1.1 PURPOSE

The purpose of this report is to present to Council for adoption, the Annual Report 2014/2015 (amendments) as well as the Oversight Report on the Annual Report as required in terms of Section 129 of the MFMA.

## 2. ANNUAL REPORT 2014/2015

### 2.1 LEGAL FRAMEWORK

Herewith an extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) relating to the annual report:-

#### **121. Preparation and adoption of annual reports.**

- (1) *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- (2) *The purpose of an annual report is—*
  - (a) *to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*
  - (b) *to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
  - (c) *to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

#### **127. Submission and tabling of annual reports**

- (2) *The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.*

#### **129. Oversight reports on annual reports.**

- (1) *The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council—*
  - (a) *has approved the annual report with or without reservations;*
  - (b) *has rejected the annual report; or*
  - (c) *has referred the annual report back for revision of those components that can be revised.*

## 2.2 COMPONENTS OF THE ANNUAL REPORT

The format of the Annual Report 2014/21015 is based on the annual report template issued by National Treasury in terms of the MFMA Circular 63 of 2012. This template differs significantly from the Annual Report Guidelines (MFMA Circular 11) issued by National Treasury in 2005.

MFMA Circular 63 of 2012 comprises six (6) chapters and attempts to cover all the aspects that needs to be reported on as derived from the MFMA and the Local Government: Municipal Systems Act (MSA), 2000 (Act 32 of 2000).

## 3. ANNUAL REPORT 2014/2015 CONSULTATION AND ADOPTION PROCESS

### 3.1 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

In terms of Council resolution, a Municipal Public Accounts Committee (MPAC) was established in terms of Section 79 of the Structures Act, 1998. The Terms of Reference tasks the MPAC with the responsibility to perform an oversight role over the process of preparing the Annual Report of Council and to produce an Oversight Report based on the Annual Report.

The MPAC convened a meeting on 27 and 29 January 2016 to deliberate on the Annual Report 2014/2015. As required by the MFMA, the Municipal Manager attended the Council Meeting where the Annual Report 2014/2015 was tabled (11 December 2015 at Item 7.1) to be released for public comment and both MPAC Meetings to answer questions posed by MPAC Members and to respond to written and oral representations from the community.

The attendance of MPAC members for the purpose of compiling the Oversight Report is recorded as follows:

Name	Capacity	Political Party	Meeting Attendance: 27 January 2016	Meeting Attendance: 29 January 2016
Cllr. J Matthee	MPAC Chairperson	ACDP	√	√
Cllr. AML Buckle	Member	DA	Apology	√
Cllr. MA Tshaya	Member	ANC	√	√
Cllr. WE Smit	Member	DA	√	√
Cllr. TE Somgqeza	Member	DA	√	√
Cllr RH van Nieuwenhuyzen	Member	DA	Apology	√
Cllr. A Bekeer	Member	ANC	√	√
Cllr. J de Wet	Member	DA	√	√

TABLE 1: MPAC MEMBERS AND ATTENDANCE

### 3.2 ADOPTION AND PUBLIC CONSULTATION PROCESS

The Annual Report 2014/2015 was tabled to Council on 11 December 2015 in compliance with the MFMA, which requires under Section 127(2) that:

*"The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality."*

The Draft Annual Report 2014/2015 was made public on the Municipal Website within five (days) and within seven (7) days in the local newspaper after it was approved by Council on 11 December 2015.

Members of the community and other stakeholders were invited to submit written comments/inputs on the Annual Report 2014/2015. In addition, the Annual Report 2014/2015 was also made available at all Municipal Libraries and other identified offices.

The Annual Report 2014/2015 was furthermore also submitted in terms of Section 127(5)(b) to the Auditor General (AG) of South Africa, Provincial Treasury (Western Cape) and the Department of Local Government (Western Cape).

The AG was also invited to attend the MPAC Meeting held on 27 January 2016.

The closing date for public comments was on 07 January 2016. No submissions from the public were received.

The Provincial Treasury: Western Cape submitted written comments on the Annual Report 2014/2015 on 07 January 2016. These comments **as well as the Municipality's responses** thereon were dealt with on 27 January 2016.

It must also be noted that after the Annual Report 2014/2015 was tabled in Council on 11 December 2015, the report was submitted for proof reading and editing. It is this proofread and edited version of the Annual Report 2014/2015 which was disseminated to MPAC for oversight.

### 3.3 MATTERS DISCUSSED BY MPAC ON 27 and 29 JANUARY 2016

The MPAC met on 27 January 2016 to discuss and consider the adoption of the Annual Report 2014/2015. After perusing the document prior to the meeting, the following matters were dealt with during the meeting:

- Par 1.3 Service Delivery Overview (pg. 22)
- Par 1.6. Auditor General Report (pg. 31)
- Par 3.1 Water Provision (pg. 54-61)
- Par 3.5 Housing (pg. 79)
- Audited Financial Statements 2014/15 (pg. 252)
- Annual Performance Report 2014/15

Please consult Annexure A of the MPAC Minutes for more detail on these items discussed during the MPAC Meeting of 27 January 2016.

During the MPAC Meeting of 29 January 2016, input from the Audit Committee (AC) was considered for inclusion in the Annual Report 2014/2015, through the verbal submission made by the AC Chairperson.

Corrections to the Annual Report 2014/2015 were also submitted by the Financial Services Directorate, Planning and Economic Development Directorate and Corporate Services Directorate and are included, for Council's notification, as annexure B to this report.

In terms of Section 129(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) the Municipality must indicate whether the Annual Report 2014/2015 is being adopted with or without reservations. The reservations as discussed in Annexure A were finalised on 27 January 2016. Further items for clarification were discussed and finalised on 29 January 2015. As a result the MPAC is satisfied with the content of the Annual Report 2014/2015 and as such recommends to Council that the Annual Report 2014/2015 should be adopted without any reservations.

#### 4. CONCLUSION


As Chairperson of the MPAC I would like to thank the MPAC Committee Members, the Executive Mayor and Mayoral Committee, the Municipal Manager and Executive Management Team (EMT), as well as the various contributors to the Annual Report 2014/2015 for their diligence and constructive commitment during the oversight period.

The MPAC is satisfied that the Annual Report 2014/2015 provides an accurate overview of the process of financial and non-financial performance during the period under review and therefore would like to recommend the adoption thereof.

#### 5. RECOMMENDED RESOLUTION TO BE ADOPTED BY COUNCIL

In accordance with Section 129(1) of the MFMA it is **RECOMMENDED** to Council:-

1. That Council, having fully considered the Oversight Report on the 2014/2015 Annual Report of Drakenstein Municipality, **ADOPTS** the 2014/2015 Oversight Report.
2. That Council, having fully considered the 2014/2015 Annual Report, amendments attached hereto as Annexure B, **APPROVES** the 2014/2015 Annual Report without any reservations;
3. That the 2014/2015 Oversight Report be made public in accordance with Section 129(3) of the MFMA, and;
4. That the Minutes of the Oversight Committee meetings (Annexure A), the 2014/2015 Oversight Report on the Annual Report for the 2014/2015 financial year be submitted in accordance with Section 129(2) and 132(2) of the MFMA to the Auditor General of South Africa, Provincial Treasury: Western Cape, Department of Local Government: Western Cape and the Provincial Legislature: Western Cape.

  
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CLLR. JOSEPH MATTHEE  
CHAIRPERSON:  
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Date: 1/2/2016

ANNEXURE

Annexure A: MPAC Minutes of 27 and 29 January 2016

Annexure B: Annual Report 2014/2015 Amendments

## ANNEXURE A



# DRAKENSTEIN MUNICIPALITY

## MINUTES: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

ORDINARY MEETING HELD IN THE FINANCE BOARDROOM, FIRST FLOOR, CIVIC CENTRE, BERG RIVER BOULEVARD, PAARL ON WEDNESDAY, 27 JANUARY 2016 AT 10:00 AND CONTINUED ON 29 JANUARY 2016 IN THE BIG COMMITTEE ROOM, FIRST FLOOR CIVIC CENTRE PAARL AT 14:00

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### CONSTITUTE OF MEETING

The Chairperson constitutes the meeting with a quorum of 6 out of 8 Committee members present.

**PRESENT:** Councillors: J Matthee (Chairperson)  
A Bekeer  
TE Somgqeza  
W E Smit (part of meeting)  
M A Tshaya, and  
J de Wet

Officials: J Carstens (Acting Municipal Manager)  
A de Beer (Executive Manager: Corporate Services – part of meeting)  
A Adam (Executive Manager: Planning and Economic Development)  
G Boshoff (Executive Manager: Community Services)  
D Louw (Executive Manager: Infrastructure Services)  
C Lategan (Acting CFO)  
R Jaftha (Chief Internal Audit)  
A Marais (Senior Manager: Legal and Administrative Services)  
C Wessels (Manager: Administrative Services)

**ABSENT:** Councillors: AM Buckle (Apology), and  
RH van Nieuwenhuyzen (Apology)





**MINUTES: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**  
**27 JANUARY 2016**

**1. APOLOGIES**

Cllrs: AM Buckle  
RH van Nieuwenhuyzen

**2. CONFIRMATION OF MINUTES**

The minutes of the Ordinary meeting of the Municipal Public Accounts Committee held on 4 March 2015 was **confirmed as correct**.

**3. ANNUAL REPORT 2014/15**

The committee considered the contents of the Annual Report and discussed the following aspects:-

**Par 1.3 Service Delivery Overview (pg. 22)**

The ANC expressed concern about the slow rate of basic services provision on farms. It was confirmed that Council has an approved subsidy system in terms of which farm owners may apply for a subsidy towards the cost to provide basic services to farm workers.

**Par 1.6. Auditor General Report (pg. 31)**

Management was congratulated on the "clean audit" reports of the past two years.

**Par 3.1 Water Provision (pg. 54-61)**

Following questions, it was confirmed that Drakenstein's water losses are being well managed and currently reflect a low percentage.

With respect to staff capacity for the Water Services Section, the various processes for the filling of vacant positions, were explained. It was confirmed that the filling of critical positions receive priority throughout the organization.

**Par 3.5 Housing (pg. 79)**

Following questions regarding housing aspects, it was explained that Council has recently adopted various housing policies and all housing aspects will be managed in terms thereof.

**Audited Financial Statements 2014/15 (pg. 252)**

Various questions were raised and duly responded to by the Acting CFO.

**Annual Performance Report 2014/15**

Aspects of the report were discussed and clarified to the satisfaction of the committee.

**MINUTES: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**  
**27 JANUARY 2016**

**The meeting adjourned at 11:55 and re-convened on 29 January 2016 at 14:00, with the following present:-**

**PRESENT:** Councillors: J Matthee (Chairperson)  
A Bekeer  
AM Buckle  
J de Wet  
TE Somgqeza  
W E Smit  
M A Tshaya, and  
J de Wet

Officials: J Carstens (Acting Municipal Manager)  
D Louw (Executive Manager: Infrastructure Services)  
C Lategan (Acting CFO)  
R Jaftha (Chief Internal Audit)  
A Marais (Senior Manager: Legal and Administrative Services)

**ALSO PRESENT:** R Kingwill (Chairperson Audit Committee)

**ABSENT** A de Beer (Executive Manager: Corporate Services – apology)  
A Adam (Executive Manager: Planning and Economic Development)  
G Boshoff (Executive Manager: Community Services)

The chairperson of the Audit Committee (AC) addressed the Committee and explained the role of the AC, referring to their mandate in terms of section 166 of the MFMA and stated that the committee mainly serves as an advisory body to Drakenstein Municipality and its structures. The AC members have expertise in areas such as financial accounting, performance management, risk management and internal audit. The AC also serves as oversight over the external auditors. He emphasized that the AC does not perform any management roles.

With respect to the Annual Report, the following comments were raised-

- Annual Financial Statements – Management was congratulated on the positive audit outcome for 2014/15 and advised that the AFS may be accepted by Council.
- Certain issues raised in the Management Report were highlighted to receive attention of management, such as timeous submission of performance information as well as the timing of submission of the AFS to the AC, in order to allow them more time for input before submission to the Auditor General, The need for

**MINUTES: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**  
**27 JANUARY 2016**

improvement of the public participation processes was also raised.

- Certain issues have been raised in the management report but have been resolved in the meantime, such as addressing of the capacity of the Internal Audit Unit and appointment of a Chief Internal Audit.
- Certain corrections to the AR were proposed. The corrections proposed were accepted by the Committee.

After further discussion it was

**RESOLVED**

that MPAC recommends to Council:

1. that the Draft Annual Report 2014/2015 be approved without reservations; and
2. that the MPAC Chairperson submit to the Special Council meeting an Oversight Report in accordance with Section 129(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

Meeting: MPAC: 27 & 29/1/2016 Ref No: 9/1/2 (2014/2015) Coll No:		Submitted by Directorate: Office of the Municipal Manager Author/s: F Qebenya Referred from:	
<u>CLAUSE:</u>	<u>ACTION:</u>	<u>RESPONSIBLE DEPT:</u>	<u>DUE DATE:</u>

The meeting ended at 14.45 on 29 January 2016.

**CHAIRPERSON:** .....

**DATE:** .....

Confirmed on .....**with / without** amendments.

**ANNEXURE B**

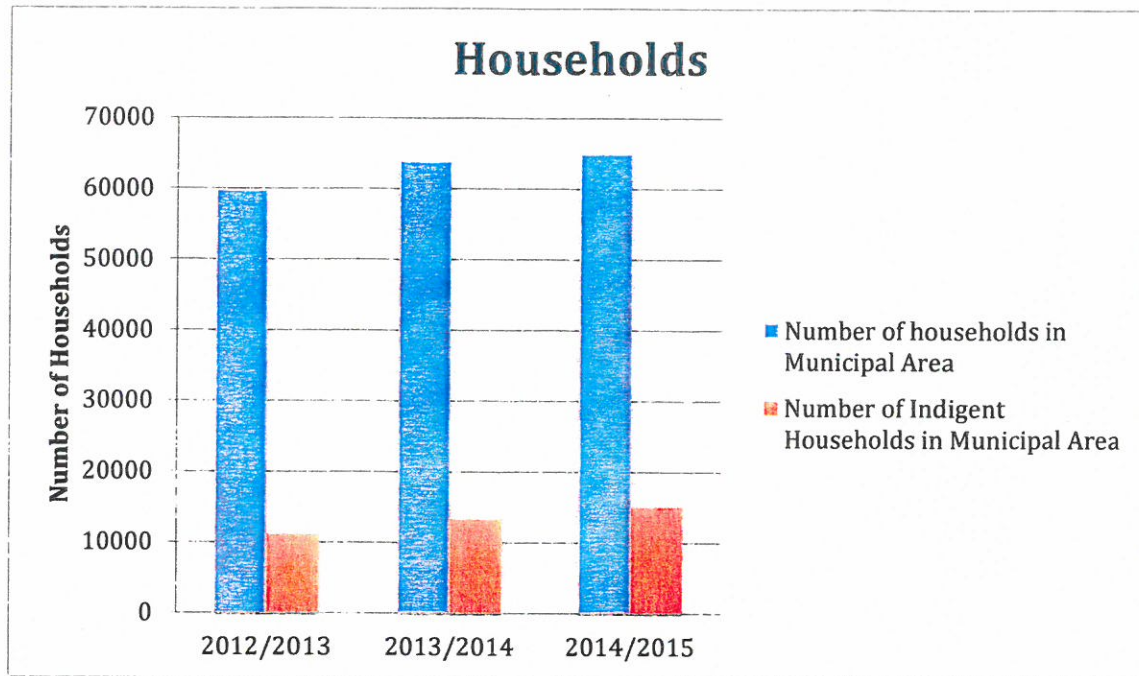
## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

In 2014 the Western Cape Government and Drakenstein Municipality jointly agreed that skills development in Drakenstein needs to be elevated as a 'game changer' to facilitate accelerated local economic development. The Municipality is currently in the joint planning phase to pool appropriate government resources to develop a sustainable skills development programme which meets the needs of both the public and private sector. Further innovation in accelerating service delivery to reduce the cost of doing business in Drakenstein includes the automation of building plan submissions and centralising the implementation of high-impact catalytic economic development projects.

Population Details									
Age	2012/2013			2013/2014			2014/2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0-4	12,276	12,412	24,688	12,423	12,584	25,007	12,429	12,590	25,019
Age: 5-9	10,772	10,936	21,709	11,056	11,230	22,286	11,057	11,231	22,288
Age: 10-14	10,040	10,193	20,233	10,249	10,416	20,665	10,250	10,417	20,667
Age: 15-19	10,642	10,615	21,257	10,644	10,600	21,244	10,650	10,615	21,265
Age: 20-29	22,503	22,386	44,899	22,513	22,281	44,794	22,562	22,318	44,880
Age: 30-39	18,456	19,031	37,487	18,647	19,157	37,804	18,661	19,169	37,830
Age: 40-49	17,465	18,070	35,535	17,876	18,466	36,342	17,883	18,471	36,354
Age: 50-59	11,464	12,652	24,116	11,975	13,212	25,187	11,979	13,216	25,195
Age: 60-69	5,983	7,235	13,218	6,199	7,616	13,815	6,203	7,619	13,822
Age: 70+	3,502	5,277	8,779	3,616	5,544	9,160	3,738	5,814	9,552

**Table 1: Population Details**

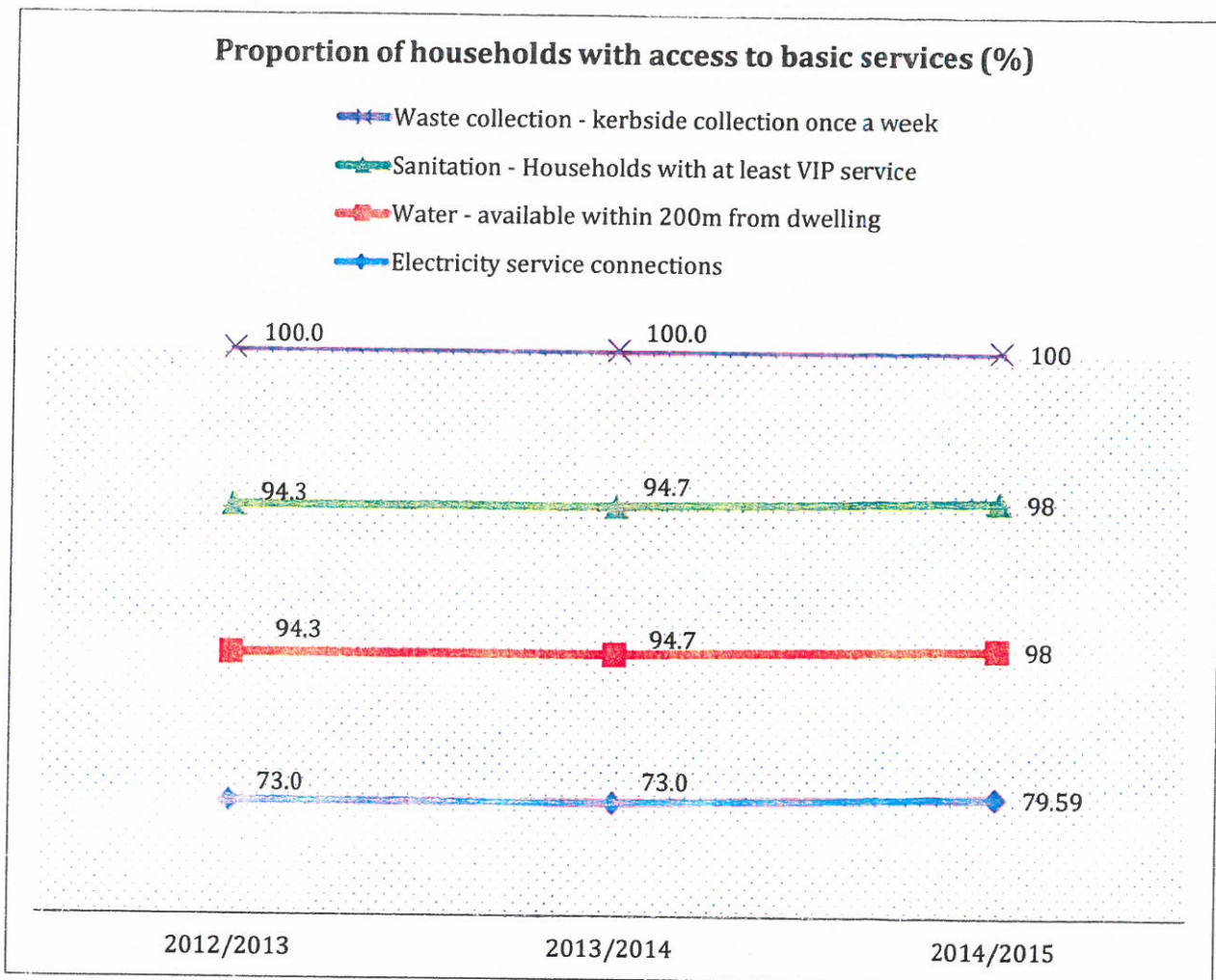


Graph 1: Households

Socio-economic Status					
Year	Unemployment Rate	Proportion of Households with no income	Proportion of Population in low-skilled employment	HIV/AIDS prevalence	Illiterate people older than 14 years
2012/2013	21.9%	8,130	24%	10,907	24,141
2013/2014	20.3%	8,517	44%	11,078	23,640
2014/2015	21.1%	8,230	47%	11,404	<b>24,547</b>

Table 2: Socio-economic Status

All persons registered as indigent in terms of Council's policy receive free basic services, namely 10 kℓ of water, 100 kWh of electricity limited to a 20 amp circuit breaker as well as a subsidised refuse removal service.



*Graph 3: Proportion of households with access to basic services*

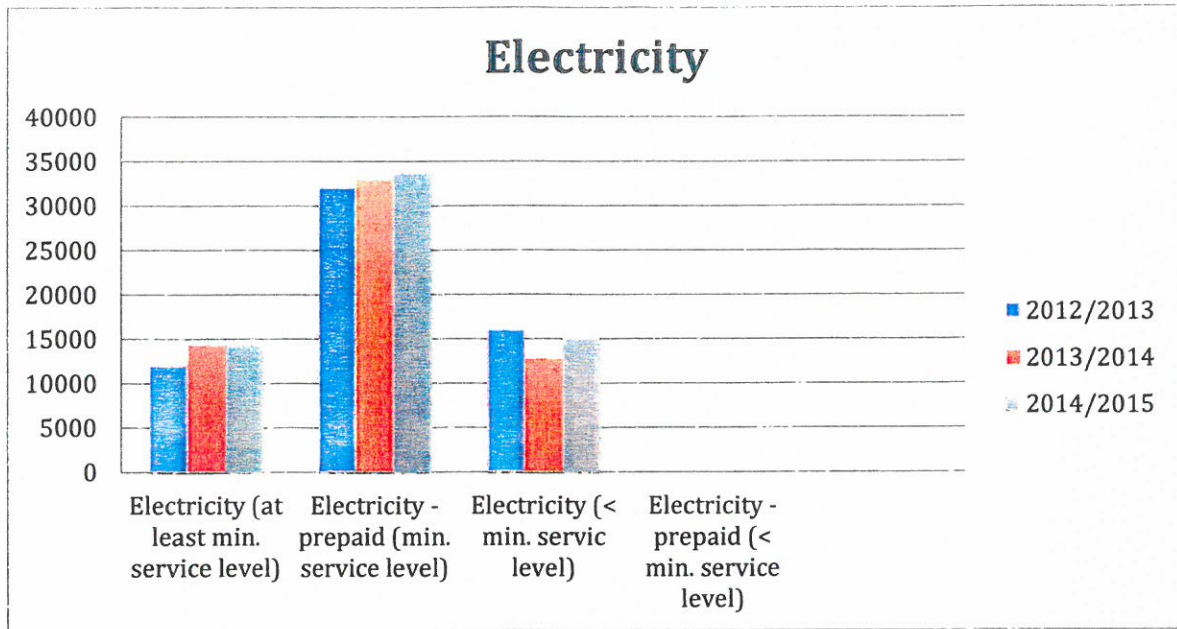
**COMMENT ON ACCESS TO BASIC SERVICES**

All formal households have access to basic civil engineering and electricity services.

Informal areas within the urban edge have been provided with a minimum level of basic civil services since 2007. The provision of services to the informal areas is as a result of rural-urban migration and new family formation which makes planning difficult.

An assessment is made annually to determine the backlogs to be addressed, based on available funding.

Theft and vandalism disrupt the provision and maintenance of services.



Graph 8: Electricity

Electricity Service Delivery Levels			
Description	Households		
	2012/2013 Actual No.	2013/2014 Actual No.	2014/2015 Actual No.
<b>Energy: (above minimum level)</b>			
Electricity (at least min. service level)	12,000	14,273	14,285
Electricity - prepaid (min. service level)	32,000	32,857	33,654
Minimum service level and above sub-total	44,000	47,130	47,939
Minimum service level and above percentage	73%	73%	76%
<b>Energy: (below minimum level)</b>			
Electricity (< min. service level)	±16,000	12,753	15,095
Electricity - prepaid (<min. service level)	0	0	0
Other energy sources	0	0	0
Below minimum service level sub-total	±16,000	12,323	15,095
Below minimum service level percentage	100%	96.63%	
<b>Total number of households</b>	<b>60,000*</b>	<b>63,091</b>	<b>63,129</b>

\*Note: Estimated figures as Eskom electricity provision within Drakenstein is unknown.

Table 31: Electricity Service Delivery Levels



Employees: Solid Waste Management Services					
Job Level	2013/2014	2014/2015			
	No. of Employees	No. of Posts	No. of Employees	No. of Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
0-3	0	0	0	0	0
4-6	0	5	3	2	40
7-9	3	3	2	1	33
10-12	13	22	12	10	45.5
13-15	9	7	2	5	71.4
16-18	33	48	33	5	31.25
19-20	111	154	115	39	25.3
<b>Total</b>	<b>168</b>	<b>239</b>	<b>167</b>	<b>62</b>	<b>30.1</b>

Table 40: Employees – Solid Waste Management Services

Financial Performance 2014/2015: Solid Waste Management Services					
Details	2013/2014	2014/2015			
	Actual	Original Budget	Adjustments Budget	Actual	% Variance to Adjustments Budget
<b>Total Operational Revenue (excluding tariffs)</b>	<b>(87,458,153)</b>	<b>(88,490,772)</b>	<b>(117,983,147)</b>	<b>(96,336,844)</b>	<b>81.65%</b>
Expenditure:					
Employees	38,994,226	46,419,896	99,874,429	99,703,554	99.83%
Repairs and Maintenance	2,302,453	896,404	648,704	637,873	98.33%
Depreciation and Provisions	8,637,220	4,802,065	5,082,988	4,716,482	92.79%
Other	27,539,345	23,532,922	50,246,559	26,356,826	52.45%
<b>Total Operational Expenditure</b>	<b>77,473,243</b>	<b>75,651,287</b>	<b>155,852,680</b>	<b>131,414,735</b>	<b>84.32%</b>
<b>Net Operational (Service) Expenditure</b>	<b>(9,984,910)</b>	<b>(12,839,485)</b>	<b>37,869,533</b>	<b>35,077,891</b>	<b>92.63%</b>

Table 41: Financial Performance 2014/2015 – Solid Waste Management Services

Employees: Housing Services					
Job Level	2013/2014	2014/2015			
	No. of Employees	No. of Posts	No. of Employees	No. of Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
0-3	3	3	3	0	0
4-6	2	6	2	4	66
7-9	6	9	8	1	11
10-12	24	28	23	5	17
13-15	12	16	13	3	18
16-18	2	2	2	0	0
19-20	28	27	25	2	7
<b>Total</b>	<b>78</b>	<b>91</b>	<b>76</b>	<b>15</b>	<b>16.4</b>

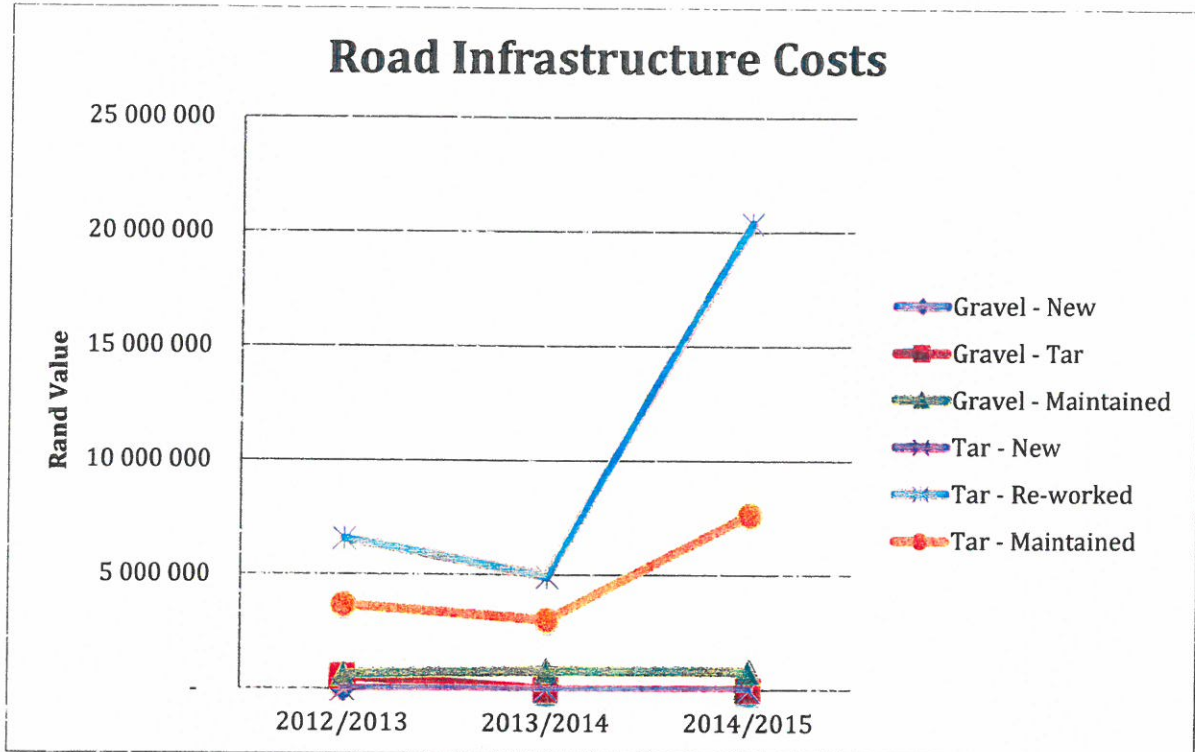
Table 45: Employees – Housing Services

Financial Performance 2014/2015: Housing Services					
Details	2013/2014	2014/2015			
	Actual	Original Budget	Adjustments Budget	Actual	% Variance to Adjustments Budget
<b>Total Operational Revenue (excluding tariffs)</b>	<b>(57,892,695)</b>	<b>(75,136,906)</b>	<b>(63,519,886)</b>	<b>865,431</b>	<b>-1.36%</b>
Expenditure:					
Employees	15,522,834	17,378,608	16,827,928	1,323,274	7.86%
Repairs and Maintenance	3,610,568	163,359	2,067,640	241,949	11.70%
Depreciation and Provisions	9,667,447	9,978,272	20,166,676	20,100,277	99.67%
Other	79,200,018	83,667,626	80,534,404	12,327,005	15.31%
<b>Total Operational Expenditure</b>	<b>108,000,868</b>	<b>111,187,865</b>	<b>119,596,648</b>	<b>33,992,504</b>	<b>28.42%</b>
<b>Net Operational (Service) Expenditure</b>	<b>50,108,173</b>	<b>36,050,959</b>	<b>56,076,762</b>	<b>34,857,935</b>	<b>62.16%</b>

Table 46: Financial Performance 2014/2015 – Housing Services

Cost of Construction/Maintenance						
Year	Gravel			Tar		
	New	Gravel-Tar	Maintained	New	Re-worked	Maintained
2012/2013	0	5,836	660	0	6,600	3,700
2013/2014	0	0	824	0	4,935	3,045
2014/2015	0	0	794	0	20,367	7,648

Table 53: Cost of Construction/Maintenance



Graph 10: Road Infrastructure costs

Employees: Financial Services					
Job Level	2013/2014	2014/2015			
	No. of Employees	No. of Posts	No. of Employees	No. of Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
0-3	34	5	2	3	60
4-6	74	148	99	49	33
7-9	16	23	14	8	35
10-12	8	22	6	16	73
13-15	8	5	5	0	0
16-18	3	8	8	0	0
19-20	1	2	2	0	0
<b>Total</b>	<b>144</b>	<b>213</b>	<b>136</b>	<b>76</b>	<b>36</b>

Table 119: Employees – Financial Services

Financial Performance 2014/2015: Financial Services					
R					
Details	2013/2014	2014/2015			% Variance to Adjustments Budget
	Actual	Original Budget	Adjustments Budget	Actual	
<b>Total Operational Revenue (excluding tariffs)</b>	<b>(194,265,537)</b>	<b>(231,993,059)</b>	<b>(210,753,882)</b>	<b>(212,151,841)</b>	<b>100.66%</b>
<b>Expenditure:</b>					
Employees	5,107,357	13,842,046	11,206,749	11,083,681	98.90%
Repairs and Maintenance	133,992	117,218	56,020	49,798	88.89%
Depreciation and Provisions	24,984,492	2,807,541	1,000,866	730,204	72.96%
Other	29,767,361	26,988,410	49,627,507	31,853,465	64.19%
<b>Total Operational Expenditure</b>	<b>59,993,205</b>	<b>43,755,215</b>	<b>61,891,142</b>	<b>43,717,148</b>	<b>70.64%</b>
<b>Net Operational (Service) Expenditure</b>	<b>(134,272,331)</b>	<b>(188,237,844)</b>	<b>(148,862,740)</b>	<b>(168,434,693)</b>	<b>113.15%</b>

Table 120: Financial Performance 2014/2015 – Financial Services

Capital Expenditure 2014/2015: Financial Services					
R					
Capital Projects	Budget	Adjustments Budget	Actual Expenditure	% Variance to Adjustments Budget	Total Project Value
<b>Total all</b>	<b>0</b>	<b>519,345</b>	<b>515,963</b>	<b>-0.65%</b>	<b>519,345</b>
<i>Major Projects</i>					
Furniture and Equipment	0	278,652	276,259	-0.86%	278,652
Directorate: Computer Budget	0	99,370	99,370	0%	99,370
Air conditioner	0	58,827	58,827	0%	58,827

Table 121: Capital Expenditure 2014/2015 – Financial Services

#### COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL

Financial Services implemented all their capital projects during the year under review. The total capital budget spending rate for Financial Services is calculated at 99.34% of the allocated Capital Budget. We confirm that our targets are set out in the IDP schedule and can be obtained with our approved budget provision.

Skills Development Expenditure												
Management Level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2014/2015				Total					
			Learnerships		Skills Programmes and other short courses		Other forms of training		Total			
			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual		
MM and S57	Female	0	-	-	-	-	-	-	-	-	-	-
	Male	3	-	-	135,000	135,000	-	-	-	-	135,000	135,000
Legislators, Senior Officials and Managers	Female	2	-	-	90,000	90,000	-	-	-	-	90,000	90,000
	Male	7	-	-	305,000	305,000	-	-	-	-	305,000	305,000
Professionals	Female	11	72,500	72,500	72,500	69,686	-	-	-	-	145,000	142,186
	Male	10	77,300	77,300	62,500	62,500	-	-	-	-	139,800	139,800
Technicians and Associate Professionals	Female	7	33,000	31,000	-	-	-	-	-	-	33,000	31,000
	Male	54	299,600	299,600	-	-	-	-	-	-	299,600	299,600
Clerks	Female	50	-	-	15,000	14,600	-	-	-	-	15,000	14,600
	Male	23	-	-	7,500	7,500	-	-	-	-	7,500	7,500
Service and Sales Workers	Female	2	-	-	-	-	-	4,600	7,548	4,600	4,600	7,548
	Male	14	20,000	19,300	-	-	-	-	-	-	20,000	19,300
Plant and machine operators and assemblers	Female	1	-	-	-	-	-	2,400	3,490	2,400	2,400	3,490
	Male	22	-	-	7,500	7,500	200,000	200,000	200,000	200,000	207,500	207,500
Elementary occupations	Female	41	120,000	120,000	-	-	-	87,498	87,498	87,498	207,498	207,498
	Male	92	132,600	132,590	100,000	100,000	100,000	100,000	100,000	100,000	332,600	332,590
Sub-total	Female	114	225,500	88,500	177,500	174,286	174,286	94,498	98,536	297,498	296,322	296,322
	Male	225	547,500	528,790	617,500	617,500	617,500	300,000	300,000	1,147,000	1,146,290	1,146,290
<b>Total</b>		<b>339</b>	<b>R 773,000</b>	<b>R 617,290</b>	<b>R 795,000</b>	<b>R 791,786</b>	<b>R 791,786</b>	<b>R 394,498</b>	<b>R 398,536</b>	<b>R 1,947,500</b>	<b>R 1,942,613</b>	<b>R 1,942,613</b>

Note: Amount of budget expenditure is R 1,942,613.55 (including travelling and accommodation costs). This translates into 99% budget spent of R1,947,500 (original Council training budget: R 1,417,500 + R 530,000 additional) allocated for the Workplace Skills Plan (2014/2015)

Table 153: Skills Development Expenditure

Council budgeted an amount of R 1,947,500 and spent 99% of the amount (actual R 1,942,613) on the implementation of the approved Workplace Skills Plan (2014/2015). Additional amounts detailed below were budgeted and spent on various projects resulting in an overall expenditure amount of R 3,446,291 on all skills development interventions for the financial year 2014/2015.

**Additional Skills Development Expenditure includes:**

Project	Initial Budget	Actual Expenditure
Internal Employee Bursaries	R 160,000	R 142,282
External /Mayoral Bursaries	R 275,000	R 184,042
Vacation Work	R 153,620	R 153,620
Student/ Work Integrated Learning	R 319,615	R 319,615
Municipal Finance Management Programme/ Electrical Apprenticeship (LGSETA MANDATORY GRANTS VOTE)	R 704,119	R 704,119
	<b>R 1,612,354</b>	<b>R 1,503,678</b>

*Table 154: Additional Skills Development Expenditure*

National Treasury successfully identified Drakenstein Municipality as a Special Merit Case for legislative implementation of Municipal Finance Minimum Competencies. The Municipality is currently implementing an in-house programme for the final prioritised target using Stellenbosch School of Public Leadership, with the programme set to conclude in June 2016.

**COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

**INTRODUCTION TO WORKFORCE EXPENDITURE**

Municipalities are required to carry out quality services in an effective, efficient and financially sound manner by supporting the principles of ensuring cost-effective and affordable service delivery. Accountability and transparency are, therefore, important when managing workforce expenditure. To be effective, it is important to ensure that the Municipality plans properly. A Capital Expenditure Plan was introduced for this purpose to ensure the spending on projects is completed by setting timeframes for all the processes leading up to the successful completion of the projects. To ensure that the Municipality adheres to legislation, only approved and budgeted posts on the structure are advertised. All positions are advertised on the Municipality’s website, internally and in the local media. This also applies to bursaries. Advertising in other media is based on the target market for the post. This saves on advertising costs and in the electronic age gives easy and quick access to applicants. Drakenstein strives to appoint employees who share the vision of “A Place of Excellence” and who will add value to the organisation. The training and development of internal staff is aimed at ensuring that they are able to perform their duties better.

**COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE**

**INTRODUCTION TO FINANCIAL STATEMENTS**

The following sections provide an overview of the financial results of the Municipality for the year under review per economic classification compared to the prior year audited results, the Original and Final Adjustments Budget.

Note: Statements of Revenue Collection Performance by vote and by source are included in **Appendix J**.

<b>Financial Summary</b>						
<b>R'000</b>						
<b>Description</b>	<b>2013/2014</b>	<b>Current Year 2014/2015</b>			<b>2014/2015 % Variance</b>	
	<b>Actual</b>	<b>Original Budget</b>	<b>Adjustments Budget</b>	<b>Actual</b>	<b>Original Budget</b>	<b>Adjustments Budget</b>
<b>Financial Performance</b>						
Property rates	187,145	202,015	200,646	195,502	114%	114%
Service charges	948,551	1,074,381	1,110,204	1,224,643	84%	73%
Investment revenue	9,856	8,985	10,821	13,752	93%	85%
Transfers recognised – operational	128,598	161,876	156,720	152,924	95%	98%
Other own revenue	120,387	64,542	121,409	107,244	136%	42%
Total Revenue (excluding capital transfers and contributions)	1,394,535	1,511,798	1,599,799	1,541,998	102%	96%
Employee costs	368,389	434,516	416,206	412,940	95%	98%
Remuneration of Councillors	18,745	20,453	20,453	19,976	98%	98%
Depreciation	190,531	162,568	174,109	165,053	102%	96%
Finance charges	58,976	56,833	65,820	61,025	107%	94%
Materials and bulk purchases	496,541	537,714	537,714	543,065	101%	100%
Transfers and grants	837	595	595	567	95%	95%
Other expenditure	388,911	346,835	548,050	433,703	72%	53%
Total expenditure	1,522,931	1,559,514	1,767,448	1,635,864	105%	93%
Surplus (Deficit)	(128,395)	(47,716)	(167,648)	(93,866)	197%	56%
Transfers recognised – capital	97,447	54,671	64,387	64,886	119%	101%
Contributions recognised – capital and contributed assets	0	0	0	0	0%	0%
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(30,948)</b>	<b>6,956</b>	<b>(103,262)</b>	<b>(32,617)</b>	<b>-417%</b>	<b>28%</b>

Financial Summary						
R'000						
Description	2013/2014	Current Year 2014/2015			2014/2015 % Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Share of surplus/(deficit) of associate	-	-	-	-	-	-
Surplus (Deficit) for the year	<b>(30,948)</b>	<b>6,956</b>	<b>(103,262)</b>	<b>(32,617)</b>	<b>-417%</b>	<b>28%</b>
<b>Capital expenditure and fund sources</b>						
<b>Capital expenditure</b>	<b>207,951</b>	<b>284,821</b>	<b>218,192</b>	<b>215,404</b>		
Transfers recognised – capital	85,930	54,821	65,091	64,886	118%	100%
Public contributions and donations	-	0	0	0	0%	0%
Borrowing	112,179	205,000	133,147	132,020	64%	99%
Internally generated funds	9,841	25,000	19,954	18,498	74%	93%
<b>Total sources of capital funds</b>	<b>207,951</b>	<b>284,821</b>	<b>218,192</b>	<b>215,404</b>	<b>76%</b>	<b>99%</b>
<b>Financial position</b>						
Total current assets	438,022	394,107	517,229	542,234	134%	118%
Total non-current assets	4,563,094	4,556,859	4,490,230	4,619,730	129%	129%
Total current liabilities	401,285	353,582	353,582	490,422	138%	150%
Total non-current liabilities	729,252	975,839	975,839	834,253	99%	99%
Community wealth/Equity	3,870,579	3,621,545	3,678,038	3,837,290	136%	140%
<b>Cash flows</b>						
Net cash from (used) operating	228,640	245,587	197,345	202,332	82%	103%
Net cash from (used) investing	(206,020)	(276,277)	(218,192)	(217,706)	79%	100%
Net cash from (used) financing	24,201	96 722	96 722	92 066	95%	95%
<b>Cash/cash equivalents at the year end</b>	<b>182,668</b>	<b>131,540</b>	<b>254,662</b>	<b>259,526</b>	<b>197%</b>	<b>102%</b>
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	182,668	131,540	254,662	259,526	197%	102%
Application of cash and investments	(129,750)	0	0	(109,633)		
<b>Balance – surplus (shortfall)</b>	<b>52,919</b>	<b>131,540</b>	<b>254,662</b>	<b>149,893</b>	<b>114%</b>	<b>59%</b>
<b>Asset Management</b>						



Financial Summary						
R'000						
Description	2013/2014	Current Year 2014/2015			2014/2015 % Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Asset register summary (WDV)	4,561,920	4,950,966	5,007,459	5,161,964	0%	0%
Depreciation and asset impairment	165,880	162,568	174,109	165,053	102%	95%
Renewal of existing assets	255,680					
Repairs and maintenance	58,989	62,257	72,681	72,374	116%	0%
<b>Free services</b>						
Cost of free basic services provided	54,146					
Revenue cost of free services provided	74,355					

*Table 158: Financial Summary*

Financial Performance of Operational Services						
R'000						
Description	2013/2014	Current Year 2014/2015			2014/2015 % Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	93,771	99,387	106,583	102,701	-3%	4%
Wastewater (Sanitation)	84,693	89,846	99,443	87,543	3%	c
Electricity	629,988	671,120	701,338	668,605	0%	5%
Waste Management	77,473	75,651	155,853	129,221	-71%	c
Component A: sub-total	885,926	860,353	907,364	858,849	0%	5%
Roads	82,204	91,770	92,294	89,014	3%	4%
Planning	12,308	33,636	34,772	33,327	1%	4%
Environmental Protection	0	0	0	0	0%	0%
Component B: sub-total	94,512	125,406	127,066	122,341	2%	4%
Community and Social Services	19,762	15,468	56,645	71,007	-359%	-25%
Sports and Recreation	51,451	58,094	60,201	58,091	0%	4%

Grants received from sources other than Division of Revenue Act (DORA)						
Details of Donor	Actual Grant 2013/2014	Actual Grant 2014/2015	2014/2015 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature of and benefit from the grant received, including description of any contributions in kind
A – Municipal Infrastructure Grant	33,305	33,138	0	30/06/2015	n/a	
B – Financial Management Grant	1,300	1,450	0	30/06/2015	n/a	
C – Municipal Systems Improvement Grant	890	934	0	30/06/2015	n/a	
D – Electrification Grant	14,500	3,000	0	30/06/2015	n/a	
E – RBIG	39,328	19,428	0	30/06/2015	n/a	
<b>F- ROADS</b>	<b>0</b>	<b>15,934</b>	<b>0</b>	<b>30/06/2015</b>	<b>n/a</b>	
Foreign Governments/Development Aid Agencies						
N/A						

**Table 161: Grants received from sources other than Division of Revenue Act (DORA)**

## COMMENT ON CONDITIONAL GRANTS AND GRANTS RECEIVED FROM OTHER SOURCES

All grants received that did not form part of the DORA allocation as gazetted, were utilised as per conditions set in the service level agreements. All grants utilised were treated in accordance with GRAP 23.

## 5.2 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

Asset management at Drakenstein Municipality is guided by the Asset Management Policy of the Municipality, which is reviewed on an annual basis to ensure it complies with best practice and changes in legislation, including the latest GRAP requirements.

This policy commits the Municipality to the management and maintenance of Municipal assets in a way that is aligned with strategic objectives and recognised good practice, and also to the establishment and maintenance of an asset register that complies with the latest accounting standards.

The objectives of the Asset Management Section and the Asset Management Policy within the Drakenstein Municipality are to assist officials in understanding their legal and managerial responsibilities with regard to assets and to ensure:

- (a) consistent application of asset management principles;
- (b) application of accrual accounting;
- (c) compliance with the MFMA, GRAP and other related legislation;

Municipal Infrastructure Grant (MIG) * Expenditure 2014/2015 on Service Backlogs						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor
				Budget	Adjustments Budget	
<b>Infrastructure - Road transport</b>				0	0	
Roads, pavements and bridges	0	0	0	0%	0%	
Stormwater	0	0	0	0%	0%	
<b>Infrastructure - Electricity</b>	<b>437</b>	<b>437</b>	<b>437</b>	<b>0%</b>	<b>0%</b>	
Generation	0	0	0	0%	0%	
Transmission and Reticulation	0	0	0	0%	0%	
Street lighting	437	437	437	0%	0%	
<b>Infrastructure - Water</b>	<b>8,036</b>	<b>8,036</b>	<b>8,036</b>	<b>0%</b>	<b>0%</b>	
Dams and reservoirs	0	0	0	0%	0%	
Water purification	0	0	0	0%	0%	
Reticulation	8,036	8,036	8,036	0%	0%	
<b>Infrastructure - Sanitation</b>	<b>18,951</b>	<b>18,951</b>	<b>18,951</b>	<b>0%</b>	<b>0%</b>	
Reticulation	18,951	18,951	18,951	0%	0%	
Sewerage purification	0	0	0	0%	0%	
<b>Infrastructure - Other</b>						
Waste Management	0	0	0	%	%	
Transportation	0	0	0	%	%	
Gas	0	0	0	%	%	
<b>Other</b>	<b>5,714</b>	<b>5,714</b>	<b>5,714</b>	<b>0%</b>	<b>0%</b>	
PMU	1,657	1,657	1,657	0%	0%	
Sport	4,057	4,057	4,057	0%	0%	
				%	%	
<b>Total</b>	<b>33,138</b>	<b>33,138</b>	<b>33,138</b>	<b>0%</b>	<b>0%</b>	

Table 167: MIG Expenditure 2014/2015 on Service Backlogs

### COMMENT ON BACKLOGS

The MIG allocation for 2014/2015 was R 33,138,000 and the 100% expenditure thereof resulted in additional service delivery. The main beneficiaries are the poorer

Disclosure of Financial Interests		
Period 1 July 2014 to 30 June 2015		
Position	Name	Description of Financial Services
	Corporate Services: Ms A de Beer	Nil
	Planning Services: Mr A Adam	Nil
	Community Services: G Boshoff	Nil
	Infrastructure: Deon Louw	Nil
<b>Other S57 Officials</b>	N/A	

*\*Financial interests to be disclosed even if they were incurred for only part of the year.*

Table 187: Disclosure of Financial Interests

**APPENDIX J: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE**

**APPENDIX J (I): REVENUE COLLECTION PERFORMANCE BY VOTE**

Revenue Collection Performance by Vote						
R'000						
Vote Description	2013/2014	Current Year			2014/2015	
		2014/2015			Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Executive and Council	12,976	10,670	12,709	16,297	(5,627)	(3,588)
Budget and Treasury Office	194,266	231,993	210,754	212,152	19,841	(1,398)
Corporate Services	18,352	5,007	5,006	21,240	(16,233)	(16,234)
Community and Social Services	4,007	9,655	9,664	3,306	6,349	6,358
Sports and Recreation	2,564	2,793	3,556	2,803	(10)	753
Public Safety	71,157	18,000	74,042	63,996	(45,996)	10,046
Housing	57,893	75,137	63,520	57,246	17,891	6,274
Health	25	11	12	10	1	2
Planning and Development	5,815	5,858	6,135	7,273	(1,415)	(1,138)
Road Transport	9,731	16,335	16,338	16,454	(119)	(116)
Electricity	753,357	830,128	848,685	830,696	(568)	17,989
Water	142,609	157,667	163,073	156,418	1,249	6,655

Revenue Collection Performance by Vote						
R'000						
Vote Description	2013/2014	Current Year 2014/2015			2014/2015 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Wastewater Management/ Sewerage	132,431	114,725	132,709	124,242	(9,517)	8,467
Waste Management and Solid Waste	87,458	88,491	117,983	96,337	(7,846)	21,646
<b>Total revenue by vote</b>	<b>1,492,640</b>	<b>1,566,470</b>	<b>1,664,186</b>	<b>1,608,470</b>	<b>(42,000)</b>	<b>55,716</b>

Table 188: Revenue Collection Performance by Vote

**APPENDIX (II): REVENUE COLLECTION PERFORMANCE BY SOURCE**

Revenue Collection Performance by Source						
R'000						
Description	2013/2014	2014/2015			2014/2015 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	185,564	200,747	199,379	193,849	6,899	5,530
Property rates – penalties and collection changes	1,581	1,267	1,267	1,653	(386)	(386)
Service charges – electricity revenue	714,223	805,557	802,176	778,129	27,428	24,047
Service charges – water revenue	119,990	134,515	137,597	152,068	(17,552)	(14,471)
Service charges – sanitation revenue	51,338	55,078	69,810	60,647	(5,569)	9,163
Service charges – refuse revenue	62,972	69,419	90,827	68,000	1,419	22,827
Service charges – other	27	32	30	30	1	0
Rentals of facilities and equipment	8,527	21,825	21,824	10,450	11,375	11,375
Interest earned – external investments	9,856	8,985	10,821	13,752	(4,768)	(2,932)

Revenue Collection Performance by Source						
R'000						
Description	2013/2014	2014/2015			2014/2015 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Interest earned – outstanding debtors	12,301	9,780	9,765	13,702	(3,922)	(3,937)
Dividends received	0	15	15	15	0	0
Fines	58,119	5,301	61,322	49,704	(44,404)	11,617
Licenses and permits	13,079	12,740	12,741	14,032	(1,292,793)	(1,292)
Agency services	0	0	0	0	0	0
Transfers recognised – operational	128,598	161,876	156,720	152,924	8,952	3,796
Other revenue	27,461	(24,411)	(25,257)	(30,568)	(6,156)	(5,310)
Gains on disposal of PPE	898	250	250	2,475	(2,225)	(2,225)
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,394,535</b>	<b>1,511,798</b>	<b>1,599,801</b>	<b>1,519,613</b>	<b>(1,321,701)</b>	<b>57,802</b>

Table 189: Revenue Collection Performance by Source

**APPENDIX K: CONDITIONAL GRANTS RECEIVED EXCLUDING MIG**

Conditional Grants: excluding MIG						
R						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	-	-	-	0%	0%	
Public Transport Infrastructure and Systems Grant	-	-	-	0%	0%	
<b>Other Specify:</b>						
Finance Management Grant	1,450	1,450	1,450	0%	0%	
Municipal Systems Improvement Grant	934	934	934	0%	0%	