

# ANNUAL REPORT

## 2015/16



*Optimum spatial planning  
through integration*

# VISION OF THE MDB

The Board's vision is to be "the leading demarcation and spatial knowledge hub".

# MISSION OF THE MDB

To produce municipal and ward boundaries that are functional, beyond reproach and contribute towards a responsive spatial configuration, including municipal capacity assessments that lay the foundation for a developmental local government.

# VALUES OF THE MDB

- Independence
- Fairness, transparency and integrity
  - Stakeholder engagement
  - Knowledge sharing
  - Good governance

*"A fundamental concern for others in our individual and community lives would go a long way in making the world the better place we so passionately dreamt of."*

– Nelson Mandela, 6th Annual Lecture



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# PART A: GENERAL INFORMATION





# GENERAL INFORMATION

## 1. ADMINISTRATION AND CORPORATE INFORMATION

### Registered Name

The Municipal Demarcation Board

### Registered Address

Eco Origins Office Park, Block C1  
349 Witch-Hazel Street  
Highveld, Centurion  
0157

### Postal Address

Private Bag x123  
Centurion  
0046  
South Africa

### Telephone

+27 12 342 2481

### Facsimile

+27 12 342 2480

The 2015/16 MDB Annual Report is also available on  
[www.demarcation.org.za](http://www.demarcation.org.za).

### Website

[www.demarcation.org.za](http://www.demarcation.org.za)

### External Auditors

Auditor-General: South Africa

### Bankers

ABSA Bank Limited

### Head: Legal and Secretariat Unit

Ms Regina Masesi Koto

## 2. LIST OF ABBREVIATIONS/ ACRONYMS

<b>AGSA</b>	Auditor-General of South Africa
<b>AFS</b>	Annual Financial Statements
<b>Board</b>	Refers to the nine members of the Board, within the MDB, as appointed by the President of SA

<b>BPFC</b>	Boundaries, Powers & Functions Committee
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CoGTA</b>	Co-operative Governance and Traditional Affairs
<b>GCIS</b>	Government Communication Information System
<b>GIZ</b>	Deutsche Gesellschaft Für Internationale Zusammenarbeit
<b>GTAC</b>	Government Technical Advisory Centre
<b>HTL</b>	House of Traditional Leaders
<b>IEC</b>	Independent Electoral Commission
<b>MDB</b>	Municipal Demarcation Board
<b>MEC</b>	Member of the Executive Council
<b>MINMEC</b>	Minister and Members of Executive Council
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>PLC</b>	Party Liaison Committee
<b>PFMA</b>	Public Finance Management Act
<b>SALGA</b>	South African Local Government Association
<b>SCM</b>	Supply Chain Management
<b>StatsSA</b>	Statistics South Africa
<b>TR</b>	Treasury Regulations

## 3. STRATEGIC OVERVIEW

### Vision

The Board's vision is to be "the leading demarcation and spatial knowledge hub".

### Mission

To produce municipal and ward boundaries that are functional, beyond reproach and contribute towards a responsive spatial configuration, including municipal capacity assessments that lay the foundation for a developmental local government.

### Values

- Independence
- Fairness, transparency and integrity
- Stakeholder engagement
- Knowledge sharing
- Good governance

#### **Strategic outcome-orientated goals**

- Facilitate spatial and economic transformation through determination and re-determination of municipal boundaries.
- Enhance participatory democracy through municipal ward delimitation.
- Assess the capacity of metropolitan, district and local municipalities.
- Strengthen research and knowledge management.
- Improved public participation through enhanced citizen engagement and communication.
- Ensuring good governance and sound financial management, supported by an effective and efficient organisation, with relevant organisational processes, systems and practices in place.

## **4. LEGISLATIVE AND OTHER MANDATES**

#### **Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998)**

- Section 3 provides that the Board is a juristic person, is independent and must be impartial and must perform its function without fear, favour or prejudice.
- Section 4 provides that the Board must determine municipal boundaries in accordance with this Act and other appropriate legislation enacted in terms of Chapter 7 of the Constitution, and must render an advisory service in respect of matters provided for in this Act and other appropriate legislation.

#### **Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)**

- Delimit wards in compliance with Schedule 1 of the Act.
- In terms of Section 85, the Board must consider the capacity of district and local municipalities to perform their function and to exercise their powers, and provide advice to Members of the Executive Council (MECs) responsible for local government.
- Section 6 empowers the Board to declare district management areas and to withdraw such declarations.

#### **Cabinet resolutions**

- In 1998, Cabinet resolved that departmental service delivery boundaries must be aligned to constitutional boundaries (national, provincial and local) and should be finalised by departments in consultation with the Municipal Demarcation Board.

#### **The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)**

- The Board is mandated in terms of Sections 155(3)(b) and 157(4)(a) to determine municipal boundaries and to delimit wards independently.

#### **Policy mandates**

- Assistance to government departments to align their service delivery boundaries to municipal boundaries.

#### **Court rulings**

- Although there have been several court rulings with respect to the decisions of the Board, none of these rulings have had any negative impact on operations or service delivery obligations.

#### **Reference to the relevant legislation and regulations governing the Board's operations**

The following legislation and regulations are applicable:

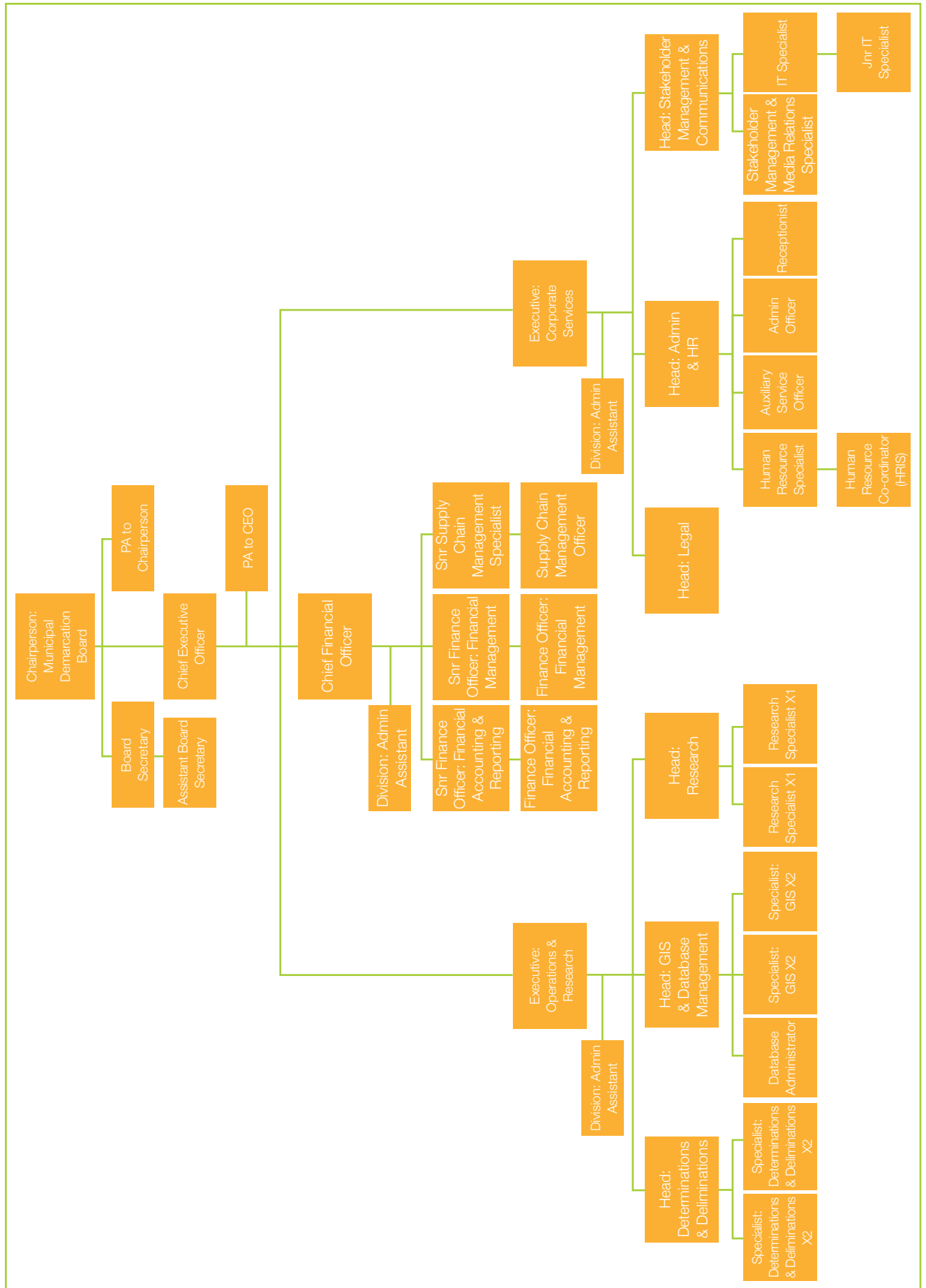
- Local Government: Municipal Demarcation Act No 27 of 1998, as amended
- Local Government: Municipal Structures Act No 117 of 1998
- Local Government: Municipal Systems Act No 32 of 2000
- Generally Recognised Accepted Practice
- Income Tax Act No 58 of 1962
- Value-Added Tax Act No 89 of 1991
- Public Finance Management Act No 1 of 1999, as amended
- Treasury Regulations, March 2005, issued in terms of the Public Finance Management Act
- Preferential Procurement Policy Framework Act No 5 of 2000
- All practice notes on Supply Chain Management Act
- Employment Equity Act No 55 of 1998
- Basic Conditions of Employment Act No 75 of 1997
- Labour Relations Act No 88 of 1998
- Promotion of Administrative Justice Act No 1 of 2000
- Promotion of Access to Information Act No 2 of 2000

#### **Name of controlling entity**

The MDB is an independent institution and is accountable to Parliament.



## 5. ORGANISATIONAL STRUCTURE





## 6. FOREWORD BY THE CHAIRPERSON

**MS JANE THUPANA**

It gives me great pleasure to present the Municipal Demarcation Board's 2015/16 Annual Report. This report provides an opportunity to reflect on the significance of the organisation in a maturing democracy, the importance of its independence to be acknowledged and respected, the need to maintain its impeccable integrity; and even more to build a closer relationship with key stakeholders that will optimise the citizen's role in the MDB's overall agenda.

The year under review saw the MDB engaged in unprecedented parallel processes of outer boundary and ward delimitations which placed tremendous pressure on our resources. As several challenges threatened the completion

of the processes, levels of anxiety on whether the MDB would meet its obligations were high. Despite all these, the MDB managed to conclude the two processes in time to hand over all wards to the Independent Electoral Commission (IEC) for commencement of the election programme.

I am both relieved and excited that the MDB has once more played a pivotal role in the deepening of our democracy by facilitating the crafting of wards, geo-political spaces within which citizens will take part in electing their political representatives during the fourth local government elections in our democracy.



*“I am both relieved and excited that the MDB has once more played a pivotal role in the deepening of our democracy by facilitating the crafting of wards, geo-political spaces within which citizens will take part in electing their political representatives during the fourth local government elections in our democracy.”*



The above successes were not without problems. Sporadic cases of community protests were staged to highlight dissatisfaction with some of the Board's decisions. The MDB was mostly saddened by the absolute show of violence, including the torching of schools and other public infrastructure in the Vuwani area of Limpopo province. Three stakeholders exercised their constitutional right and filed cases against the MDB, challenging the re-determination of municipal boundaries that followed proposals by the Minister of Co-operative Governance and Traditional Affairs. Allegations of the lack of public consultation and procedural irregularities were a common thread amongst the three applicants. Two of the cases, those of the Democratic Alliance and Vuwani Traditional Leaders were dismissed by the North Gauteng High Court and Polokwane High Court, respectively, while the MDB was granted leave to appeal judgement in the case of the Baviaans Municipality.

We welcome these challenges as a sign of our maturing democracy, a test on the resilience and integrity of the Board's decision support mechanisms, and lastly, that the judgements provide more clarity in areas that might have otherwise been unclear; as well as setting precedence for future demarcations. It is hoped that the applicants will reconcile with the outcomes of the judicial processes and participate in the arrangements that will usher in the fourth dispensation of a democratic local government in South Africa.

The Board appreciates lessons learned during our interactions with the public during the public participation processes throughout the country. Their input have brought to light some of the challenges that will necessitate legislative review and some organisational re-engineering. Processes are underway to address some of our shortcomings, which include a lack of a regional footprint, while engagements with

legislative review processes will be addressed through the Department of Co-operative Governance and Traditional Affairs (COGTA).

Together with management and employees, we continue to build a culture that is commensurate with the organisational values, one that protects institutional independence and integrity, while cherishing and building on our strategic partnership with stakeholders. This involves making sure that public participation and education are central to the MDB's programmes and decision-making processes.

Plans are also in place to address internal organisational weaknesses such as failure to timeously fill strategic positions, which aspect led to unsatisfactory monitoring of the organisation's performance information.

I would like to thank all stakeholders for their assistance and co-operation during both the ward delimitation and municipal boundary demarcation processes. Special appreciation goes to my capable and engaging Board members for their sacrifice and commitment and to the staff of the MDB. They took up the challenge, despite very limited resources and successfully ran the parallel processes of ward and municipal boundary demarcation.

**Ms Jane Thupana**

**Chairperson**

Municipal Demarcation Board

29 July 2016



## 7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

**MR DITHABE NKOANE**

I am honoured to present the Annual Report and activities of the Municipal Demarcation Board for the 2015/16 financial year.

The 2015/2016 financial year was an eventful year for the MDB. The organisation continued to demonstrate its resilience and commitment towards spatial transformation in the country. In this year alone, the MDB managed to complete two programmes of its mandate. Over the years the MDB, as part of its programme, would start and complete the municipal boundary re-determination process and thereafter, in subsequent years, start and complete the

ward delimitation process. However, this time around, both were done concurrently in eight provinces.

This was indeed not an easy year for the MDB as the abovementioned processes are not without challenges. The original plan was to finalise and hand over wards to the IEC in August 2015. However, due to a myriad of challenges, including delays brought about by the municipal boundary re-determination process, the final wards were handed over in December 2015. At the beginning of 2015 the MDB received a request in terms of Section 22(2) of the Local Government Municipal Demarcation Act of 1998 from



*Over the years as part of its programme the MDB would start and complete the municipal boundary re-determination process and thereafter, in subsequent years, start and complete the ward delimitation process. However, this time around, both were done concurrently in most of the places.*



the Minister for Co-operative Governance and Traditional Affairs. The Minister submitted a request which included 34 cases affecting approximately 90 municipalities. During the 2015/2016 MTEF budget process, the MDB had planned and budgeted to work and complete the ward delimitation process only. The Minister's Section 22(2) request came after the budget process was concluded and that work therefore was not budgeted for.

## PERFORMANCE RESULTS

### Operations and Research

#### Municipal boundary re-determination process

As mentioned above, the Board went on to consider requests for re-determination of municipal boundaries as received from the Minister for Co-operative Governance and Traditional Affairs. This was an intensive process which started in the year 2014/2015 with the publication of Section 26 notices inviting members of the public to submit their views and representations. Thereafter the Board conducted public meetings and studies for about 20 cases. MDB staff and members of the Board were deployed in many parts of the country, meeting stakeholders and members of the public. Although the Board had intended to have one meeting per case, extra meetings were requested and in most instances the Board acceded.

The Board also commissioned studies by experts on about 22 cases from the 34 cases received from the Minister. The studies were an important aspect of the boundary re-determination process because they provided the Board with insight about the affected areas. In addition, input

through public participation and other sources of information were invaluable to inform better decision making. All these were considered by the Board when decisions were taken in June 2015. The decisions were published in Provincial Gazettes and anyone aggrieved by the decision of the Board, was requested to submit objections within 30 days. Thereafter, the Board considered all the objections and took final decisions. At the end of the process, only 13 of the 34 cases were re-determined. This marked the end of the municipal boundary re-determination process. As from the 3rd of August 2016, the number of municipalities will be reduced from 278 to 257.

#### Ward delimitation process

In the preceding financial year (2014/2015), the MDB began the ward delimitation process in preparation for the 2016 local government elections. That continued into the 2015/2016 financial year. The Board worked and finalised wards for all municipalities that qualified to have wards. Public consultation processes for municipalities not affected by the Minister's Section 22(2) proposals, were conducted within the 2014/2015 financial year. However, the consolidation, analysis and processing of the public and stakeholder input were finalised within 2015/2016.

Over and above that, the Board conducted public meetings for all municipalities which were affected by the municipal boundary re-determination process and all the newly re-determined municipalities. The ward delimitation process was completed in December 2015 with the publication of final wards in Provincial Gazettes. In total, the MDB delimited 4 392 wards for the 2016 local government elections.

## Financial management

Total revenue for the year under review amounted to R46 288 000, compared to R45 172 000 in 2014/15 representing a year on year increase of 2,5%. The MDB's main source of revenue is the Government Grant which comprises 99% of its total revenue.

Total expenditure for the year under review amounted to R64 737 000, compared to R52 424 000 in 2014/15, representing a year on year increase of 23,5%. This resulted in a deficit of R18 449 000. This deficit was mainly due the determination and/or re-determination of boundaries of dysfunctional and non-viable municipalities, as well as ward delimitations. The aforementioned task was requested by the Minister of Co-operative Governance and Traditional Affairs which was not budgeted for. The deficit was funded from the prior years' accumulated surplus. The accumulated surplus has now been fully utilised.

## Corporate services

In this review period, the MDB dealt with a few legal challenges. Decisions of the Board in regard to the municipal boundary re-determination were challenged, i.e. MDB vs Midvaal municipality, MDB vs Baviaans municipality, MDB vs Democratic Alliance and MDB vs Masia (Vuwani). In all these cases, the judgements were in favour of the MDB.

Three staff disciplinary cases were handled and successfully completed. The division under the leadership of the Chairperson of the Board finalised the appointment of key staff, amongst others, the CEO and CFO. However, the latter positions were only filled towards the end of quarter three. About 32 human resources policies were reviewed, with about 11 of those completed.

The MDB has approved a new organogram which, for most part, is aimed at enhancing public consultation and research capacity. In this regard, the MDB is considering to establish a regional presence. The process to overhaul most of the corporate services policies, began. In an effort to advance on our stakeholder engagement programme, the Board undertook the process of improving its existing communication platforms to ensure more interaction from the public is established, whilst introducing new ones in the process. Research work began in the fourth quarter to identify the best ways of communicating our mandate and

processes to the public and we initiated projects that will ensure a framework on public participation is developed.

## INSTITUTIONAL CHALLENGES

- Legislative constraints.
- Current resources are incompatible with organisational strategy and mandate.
- Perceived negative public perception due to lack of understanding of the Board's mandate, e.g.
  - Board being blamed for matters related to provincial boundaries;
  - Frequency in the delimitation of wards and numbers thereof.
- Lack of a regional footprint creates disconnection with the public.

## FUTURE PLANS

As part of its strategy, the MDB is productively working on strengthening the following areas:

- Public participation: This entails the organisation establishing a regional footprint to ensure that it gets closer to the areas and communities affected by its work. This is seen as high priority as it will limit community dissatisfaction and protests.
- Research: The MDB is working on raising the bar on spatial and demarcation research. This will be achieved, amongst others, through leveraging resources and establishing partnerships with other related research institutions. We aim to become a spatial and demarcation knowledge hub.
- Regionalisation: The organisation is seeking to establish regional presence. "Regionalisation", in the context of the MDB, means developing a service delivery system or operating strategy which will allow the MDB to deploy resources (human, technological and financial) to focus in specific regions or areas in the country, in order to improve on the delivery of its services. The MDB would like to improve on its understanding of the country in order to allow for a better local knowledge and engagement with its stakeholders.
- The MDB received an unqualified audit opinion for its 2015/16 Annual Financial Statements. However, the organisation received adverse opinions on its performance information. We are in the process of preparing an action plan to address the performance information findings to ensure that there is no recurrence of these findings in the 2016/17 financial year. The



2016/17 Annual Performance Plan was reviewed by CoGTA and the Office of the Auditor-General to ensure compliance with the relevant frameworks issued by National Treasury.

contribute towards our vision of a sustainable system of local government. Lastly, I wish to thank the IEC and Statistics South Africa and all our stakeholders for their roles in the work of the MDB.

## APPRECIATION

The performance results achieved during the year would not have been possible without the support, oversight and guidance from the members of the Board. I also wish to thank all employees of the MDB, whose dedication and determination have made it possible to serve our country and



**Mr Dithabe Nkoane**

**Chief Executive Officer**

Municipal Demarcation Board

29 July 2016



Left – Right: Ms Nompumelelo Mpofu (Board Member); Ms Jane Thupana (Chairperson); Mr Aluwani Ramagadza (Executive Manager: Operations and Research); Mr Daniel Sebake (Manager: GIS) – analyse the boundary between Ward 65 and Ward 118 with community leaders of the Denver Hostel in Johannesburg

# **PART B:**

## REPORT ON WARD DELIMITATION AND **MUNICIPAL BOUNDARY DETERMINATIONS**



# REPORT ON WARD DELIMITATION AND MUNICIPAL BOUNDARY DETERMINATIONS

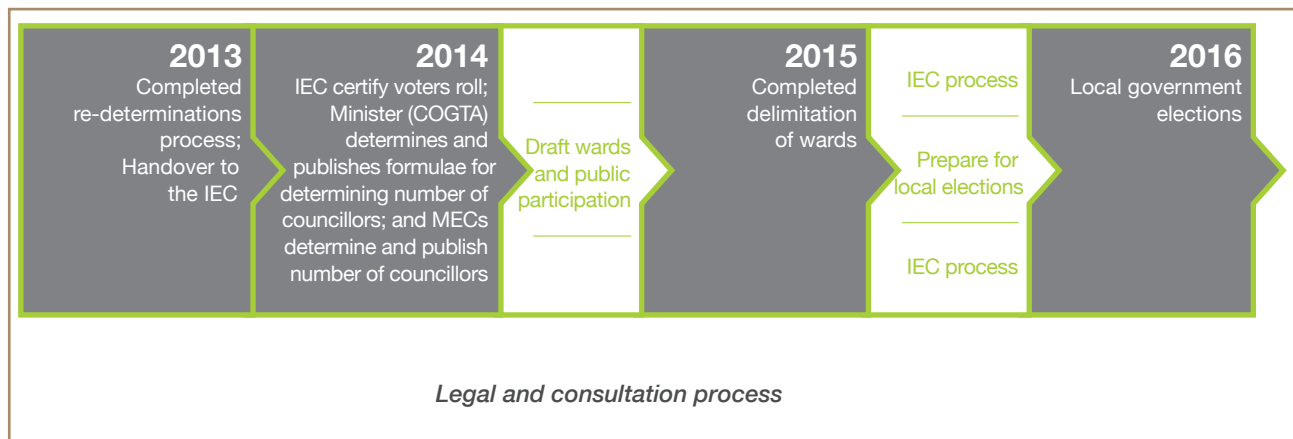
## 1. WARD DELIMITATION 2014 – 2015

### 1.1. Introduction

During the 2015/2016 financial year, the MDB continued with the ward delimitation process in preparation for the 2016 local government elections. According to schedule 1(2) of the

Municipal Structures Act of 1998 the Board, after consultation with the IEC for purposes of an election, must delimit all metropolitan municipalities and local municipalities – that must have wards – into wards. As a result, a considerable part of the year under review was dedicated to delimiting wards in all municipalities that qualified to have wards.

*Figure 2: Ward delimitation process*



During the last quarter of 2014/15, for the first time since the inception of the MDB, the Minister of Co-operative Governance and Traditional Affairs invoked Section 22(2) of the Municipal Demarcation Act of 1998, requesting the Board to re-open the determination of outer boundaries of specific municipalities.

Public consultations on draft wards for all municipalities not affected by the Section 22(2) proposal from the Minister for Co-operative Governance and Traditional Affairs were conducted in the latter part of the 2014/15 financial year. The rest of the ward delimitation process was finalised in the 2015/16 financial year.

On receipt of the Section 22(2) request by the Minister for Co-operative Governance and Traditional Affairs, the MDB suspended the ward delimitation process in all affected

municipalities, pending the conclusion of the outer boundary re-determination process.

### 1.2. Public and stakeholder consultations on ward delimitation (2015/2016)

As indicated above, ward delimitations for municipalities affected by the Section 22(2) request from the Minister for Co-operative Governance and Traditional Affairs, was suspended. However, the ward delimitation process for those municipalities was later continued with from April 2015.

In terms of the Municipal Structures Act of 1998, the Board must determine wards and publish in the relevant Provincial Gazettes. Members of the public aggrieved by the decisions of the Board, are allowed 14 days to submit their objections. In a bid to enhance public participation, the Board decided



to expand the public consultation process by providing an opportunity for the general public to engage with the process prior to the Board's determination.

After completion of the municipal boundary re-determination process, the ward delimitation process began with the IEC certifying the voters roll. The IEC provided the number of registered voters for all newly re-determined municipalities and MECs determined the number of councillors. In terms of the

Municipal Structures Act of 1998, MECs must use the formula for determining the number of councillors as determined and published by the Minister for Co-operative Governance and Traditional Affairs. The Minister for Co-operative Governance and Traditional Affairs determined the formula in September 2014. With respect to municipalities whose boundaries were finalised in August 2015, the MECs determined the number of councillors as reflected in the table below.

**Table 1: Number of councillors as determined by MEC**

Province	Municipality	Notice No	Prov. Gazette No	Date	No of Councillors	No of Wards
<b>Eastern Cape</b>	Maletswai/Gariep	131	3502	21 Sept 2015	22	11
	Nkonkobe/Nxuba	131	3502	21 Sept 2015	46	23
	Ikwezi/Baviaans/Camdeboo	151	3523	16 Oct 2015	27	14
	Tsolwana/Inkwanca/Lukhanji	131	3502	21 Sept 2015	68	34
<b>Free State</b>	Naledi/Mangaung	63	94	18 Sept 2015	100	50
<b>KwaZulu-Natal</b>	Mpofana	144	1264	31 Oct 2014	9	5
	Umvoti	144	1264	31 Oct 2014	27	14
<b>Limpopo</b>	Musina	323	2599	28 Sept 2015	24	12
	New municipality	323	2599	28 Sept 2015	71	36
	Thulamela	367	2429	9 Oct 2014	81	41
	Makhado	323	2599	28 Sept 2015	75	38
	Blouberg	323	2599	28 Sept 2015	44	22
	Molemole	323	2599	28 Sept 2015	32	16
	Polokwane	323	2599	28 Sept 2015	90	45
	Mookgopong/ Modimolle	323	2599	28 Sept 2015	28	14
	Fetakgomo/Greater Tubatse	323	2599	28 Sept 2015	77	39
<b>Mpumalanga</b>	Mbombela/Umjindi	429	2558	16 Sept 2015	90	45
<b>Northern Cape</b>	Khara Hais/Mier	71	1954	16 Sept 2015	31	16
<b>North West</b>	Ventersdorp/Tlokwe	434	7533	8 Sept 2015	67	34

The MDB arranged and held its public consultation meetings between April and May 2015 for all the municipalities that fell off the municipal boundary re-determination process after the Section 26 process.

In the period between September and November 2015, public consultations were conducted for all the newly re-determined municipalities, i.e. all those boundaries were finalised in August and October 2015. The MDB prepared draft wards for consultation purposes and sent these to all affected municipalities. In preparing draft wards, the MDB emphasised the technical considerations in ward delimitation criteria, in terms of Schedule 1(4) of the Municipal Structures Act of 1998. These criteria include compliance to the norm,

topography and physical characteristics, accessibility (i.e. road networks), identifiable ward boundaries and avoiding, as far as possible, fragmentation of existing communities. The resultant draft wards were presented in the form of overview maps (i.e. size A0 maps showing the extent of each municipality and wards within it), detailed maps (i.e. size A4 maps showing the extent of each individual ward with other features in it), and ward schedules (i.e. tables indicating the voting districts and number of voters in each ward).

Ward delimitation public meetings were arranged for all 19 newly re-determined municipalities. Due to disruptions and consequent security concerns, some of the meetings could not be held. In instances where meetings could either not



be held or were disrupted, information was made available on the MDB website, at the affected municipalities and on request. Members of the public were allowed time to submit their proposals in writing.

### 1.3. Other key stakeholder engagements

During the ward delimitation process, the MDB utilised a myriad of opportunities and platforms to create awareness to keep stakeholders and the general public up to date. These included the IEC's Party Liaison Committees (PLCs), which are fora composed of all political parties, SALGA's National and Provincial Intergovernmental Relations and Governance fora and National and Provincial Houses of Traditional Leaders.

Presentations were also made to structures such as MinMEC, both political and technical. The aim was to clarify the role of stakeholders (including the general public) during the ward delimitation process on the criteria, as well as the timeframes.

### 1.4. Determination of wards and publication for objections

In June 2015, the Board considered all the submissions received from members of the public and determined wards for all municipalities not affected by the municipal boundary re-determination process. These were published in Provincial Gazettes, thus allowing members of the public, aggrieved by

the decisions of the Board, to submit objections within 14 days.

All objections received were assessed for their compliance to the ward delimitation criteria, in terms of Schedule 1 of the Municipal Structures Act of 1998.

### 1.5. Publication of final wards

The Board, after considering objections, must either confirm or vary or withdraw its determination. The Board confirmed and varied wards in several municipalities and published its final determination in Provincial Gazettes. The Board concluded the ward delimitation process for all municipalities not affected by the Section 22(2) request from the Minister in August 2015. At that time, the MDB had finalised 2 951 wards.

The process continued to complete delimiting wards for all municipalities affected by the re-determinations and those in the Sedibeng District Municipality (DC42) and Ekurhuleni Metropolitan Municipality (EKU). (The latter, after a court order setting aside the re-determination of Ekurhuleni Metropolitan Municipality, Lesedi LM, Midvaal LM and Emfuleni LM).

The ward delimitation process was completed in December 2015 with the publication of final wards in Provincial Gazettes. In total, the MDB delimited 4 392 wards for the 2016 local government elections. Provincial breakdown on wards, is reflected in the table below:

**Table 2: Provincial breakdown of wards**

Province	Wards 2000	Wards 2006	Wards 2011	Wards 2016
Eastern Cape	601	636	715	705
Free State	291	300	317	309
Gauteng	446	423	508	529
KwaZulu-Natal	748	771	828	870
Limpopo	437	513	543	566
Mpumalanga	401	365	402	400
North West	338	365	383	407
Northern Cape	162	174	194	204
Western Cape	330	348	387	402
<b>Total</b>	<b>3754</b>	<b>3895</b>	<b>4 277</b>	<b>4392</b>

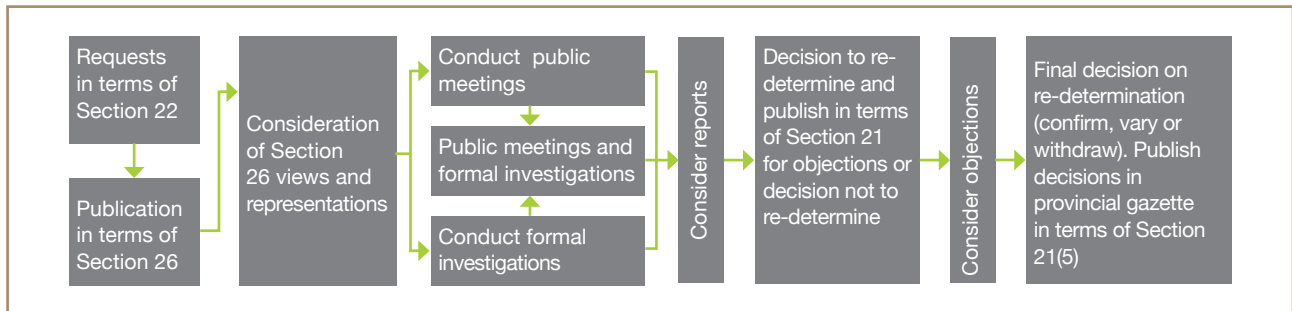
It is clear from the outcome of this process, that there has been a slight increase in the number of wards from 4 277 in the 2011 local government elections, to 4 392 for the

2016 local government elections. There has been a gradual increase since the first democratic local government elections in 2000.

## 2. RE-DETERMINATION OF MUNICIPAL BOUNDARIES: PROPOSAL BY THE MINISTER OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS ACCORDING TO SECTION 22 OF THE MUNICIPAL DEMARCATION ACT 27 OF 1998

The re-determination process sequence is illustrated as follows:

**Figure 3: Municipal re-determination process**



As reported in the previous performance period (2014/2015), the MDB received in terms of Section 22 (2) of the Municipal Demarcation Act of 1998, several requests for re-determination of municipal boundaries. The Board then published its intention to consider the proposals in newspapers circulating in the area in terms of Section 26, inviting members of the public to submit their views and representations in writing. The

Board received and considered all Section 26 submissions and took decisions in terms of Section 27 of the Municipal Demarcation Act of 1998.

After the Section 26 process, the Board decided not to proceed with the re-determination process for the following cases:

**Table 3: Cases not determined during Section 26 process**

EASTERN CAPE	
Reference	Request
DEM4501	Disestablish Great Kei LM (EC123) and amalgamate with Buffalo City Metropolitan Municipality (BUF) with the view to optimising the financial viability of the new municipality.
FREE STATE	
Reference	Request
DEM4543	Incorporate the Ikgomotseng/Soutpan community from the Masilonyana LM (FS181) into the Mangaung Metropolitan Municipality (MAN).
	Incorporate the Glen Magisterial area and surrounding farms from Masilonyana LM (FS181) into Mangaung Metropolitan Municipality (MAN) to ensure the economic sustainability of the farming communities in the area.

<b>KWAZULU-NATAL</b>	
<b>Reference</b>	<b>Request</b>
DEM4520	<p>Create a Category A municipality with the Msunduzi LM (KZN225) as its core:</p> <p>Option 1: Whole district becomes a Category A municipality.</p> <p>Option 2: The local municipalities of Mkambathini (KZN226), excluding the traditional authority areas of Nkosi Mkize (to be amalgamated with eThekweni Metropolitan Municipality (ETH)), The Msunduzi (KZN225) and Richmond (KZN227) be amalgamated to form a Category A municipality. The local municipalities of uMshwati (KZN221), uMngeni (KZN222), including disestablished wards 1, 2 and 3 from Mpofana (KZN223) and LMpendle (KZN224) will then form the local municipalities within the uMgungundlovu District Municipality (CD22).</p>
DEM4521	<p>Create a Category A Municipality with uMhlathuze LM (KZN282) as its core:</p> <p>Option: The whole District becomes a Category A municipality Mbonambi (KZN281), Umhlathuze (KZN282), Ntambanana (KZN283), uMlalazi (KZN284), Mthonjaneni (KZN285), Nkandla (KZN286) Local Municipalities.</p>
DEM4523	<p>Align traditional boundaries:</p> <p>The traditional Area of Embo/Thumini be excised from Mkambathini LM (KZN226) and included into the eThekweni Metropolitan Municipality (ETH).</p>
DEM4524	<p>Align traditional boundaries:</p> <p>Two options are put forward for possible re-determination, but a full consultation process must be undertaken.</p> <p>Option 1: Excise wards 3 and 4 from Nqutu LM (KZN242) and incorporate them into Ulundi LM (KZN266). This would consolidate community members from these two wards with wards 16 and 23 Ulundi LM (KZN266) where the majority of the Ntombela community members presently reside. Certain minor adjustments within the Mthonjaneni (KZN285) and Nkandla (KZN286) Local Municipalities will have to be made, incorporating them into Ulundi LM (KZN266). The Zondo Traditional Authority must remain in Nqutu LM (KZN242).</p> <p>Option 2: Wards 16, 17, 21 and 23 Ulundi LM (KZN266) be incorporated into the Nqutu Municipal area, with the same minor adjustments in Mthonjaneni (KZN285) and Nkandla (KZN286) Local Municipalities having to be made.</p>
DEM4525	<p>Align traditional boundaries:</p> <p>A certain portion of the Nyuswa Tribal Area falling within the Ubuhlebezwe (KZN434) Local Municipal area needs to be excised from that municipality and be incorporated into Vulamehlo LM (KZN211), and ultimately into Umdoni LM (KZN212), as Vulamehlo LM (KZN211) is being split between Umdoni LM (KZN212) and eThekweni Metropolitan Municipality (ETH)</p>
DEM4526	<p>Align traditional boundaries:</p> <p>Qwabe traditional area be excised from Umzumbe LM (KZN213) and incorporated into Hibiscus Coast LM (KZN216).</p>
DEM4527	<p>Align traditional boundaries:</p> <p>It is proposed that wards 5 and 6 of Umvoti LM (KZN245) be incorporated into Maphumulo LM (KZN294).</p>
DEM4528	<p>Align traditional boundaries if a Category A municipality for Greater Umhlathuze (including Mfolozi) is not considered an option by the Board.</p> <p>Somopo Tribal area which has been split in terms of DEM4176 be taken up with the MDB for it to be included into Mfolozi LM (KZN281) or alternatively into uMhlathuze LM (KZN282).</p>
DEM4529	<p>Align traditional boundaries:</p> <p>The boundary between Umlalazi (KZN284) and Nkandla (KZN286) Local Municipalities requires consideration in terms of consolidating the Shange Traditional areas, preferably using a natural feature to determine the boundary.</p>
DEM4530	<p>Align traditional boundaries:</p> <p>Certain minor adjustments on the boundary between eDumbe (KZN261) and uPhongolo (KZN262) municipal areas need to be made.</p>

**Table 4: Cases that proceeded in the re-determination process after the Section 26 process**

Reference	Municipalities
<b>Eastern Cape</b>	
DEM4500	Amalgamate Ikwezi LM (EC103), Baviaans LM (EC107) and Camdeboo LM (EC101) with the view to optimising the financial viability of the new municipality.
DEM4502	Disestablish Great Kei LM (EC123) and amalgamate with Buffalo City Metropolitan Municipality (BUF) with the view to optimising the financial viability of the new municipality.
DEM4503	Amalgamate Gariep LM with Maletswai LM (EC143) with the view to optimising the financial viability of the new municipality.
DEM4505	Amalgamate Nxuba LM with Nkonkobe LM (EC127) with the view to optimising the financial viability of the new municipality.
<b>Free State</b>	
DEM4542	Incorporate Naledi LM into the Mangaung Metropolitan Municipality with a view to optimising the financial viability of the new municipality.
<b>Gauteng</b>	
DEM4074	Proposed creation of a Category A municipality for the whole of the West Rand District Municipality, with Mogale City LM as its core. Mogale City LM/Merafong City LM/Westonaria-Randfontein LM.
<b>KwaZulu-Natal</b>	
DEM4522	Disestablish Mpofana LM (KZN223): Wards 1, 2 and 3 Mpofana LM (KZN223) to be amalgamated with uMngeni LM (KZN222), while ward 4 Mpofana LM (KZN223) be amalgamated with Umvoti LM (KZN245). A portion of ward 2 Mpofana LM (KZN223) be incorporated into Mpendle LM (KZN224). The effect of this would be the total disestablishment of Mpofana LM.
<b>Limpopo</b>	
DEM4519	Disestablish Mutale LM with a view to optimising the financial viability of all the municipalities in the Vhembe District Municipality (DC34).
DEM4531	Disestablish Aganang LM with a view to optimising the financial viability of these municipalities in the Capricorn District Municipality (DC35).
DEM4532	Disestablish Maruleng LM with a view to optimising the financial viability of these municipalities in the Mopani District Municipality (DC33).
DEM4533	Disestablish Fetakgomo LM with a view to optimising the financial viability of these municipalities in the Sekhukhune District Municipality (DC47).
DEM4534	Amalgamate Modimolle and Mookgopong Local Municipalities with a view to optimising financial viability.
<b>Mpumalanga</b>	
DEM4535	Amalgamate Dr Pixley Ka Isaka Seme LM and Msukaligwa LM with a view to optimising the financial viability of the new municipality.
DEM4536	Amalgamate Dipaleseng LM and Lekwa LM with a view to optimising the financial viability of the new municipality.
DEM4537	Amalgamate Umjindi LM and Mbombela LM with a view to optimising the financial viability of the new municipality.
DEM4538	Amalgamate Emakhazeni LM and Steve Tshwete LM with a view to optimising the financial viability of the new municipality.
DEM4539	Amalgamate Victor Khanye LM and Emalahleni LM with a view to optimising the financial viability of the new municipality.
<b>Northern Cape</b>	
DEM4513	Amalgamate Mier LM and Khara Hais LM.
<b>North West</b>	
DEM4516	Amalgamate Kagisano Molopo LM (NW397) and Naledi LM (NW392) with the view to optimising the financial viability of the new municipality.
DEM4517	Amalgamate Ventersdorp LM and Tlokwe LM, and optimising the financial viability of the new municipality by incorporating wards from the Matlosana LM.
DEM4541	Disestablish Ratlou LM and amalgamate with Mahikeng and Tswaing Local Municipalities with a view to optimising the financial viability of the new municipalities.
DEM4540	Amalgamate Kgetleng Rivier LM with Rustenburg LM with a view to optimising the financial viability of the new municipality.



## 2.1. Request for the re-determination of the West Rand District Municipality (DC48)

On 15 April 2015, the Board received a request from the Minister of Co-operative Governance and Traditional Affairs for the re-determination of West Rand District Municipality by creating a Category A municipality for the whole of West Rand District Municipality, with Mogale City LM as its core.

The MDB commenced with the process and published a Section 26 notice in the media on 15 May 2015. The submissions were closed on 5 June 2015, that is, after 21 days – allowed for submission of public views and representations on the Minister's request. The notice was published in the Sowetan, Daily Sun and Star newspapers on 15 May 2015, and the closing date for submissions was 5 June 2015. 8 402 petition type submissions were received, of which only one was in support.

After considering Section 26 submissions and the 2013 report on the proposed demarcation of a metropolitan area in the West Rand, the Board resolved not to proceed with the re-determination.

## 2.2. Section 28 public meetings

With regard to the Board's decision that public meetings be held in the affected areas, Section 28 requires that the Board must publish a notice in the newspaper circulating in the area concerned, stating the time, date and place of each meeting; and inviting the public to attend the meeting or meetings. The Board must also convey, where appropriate, by radio or other appropriate means of communication the contents of the notice in the area concerned. At a public meeting, a representative of the Board must explain the issues the Board has to consider, including any options open to the Board; allow members of the public attending the meeting to air their views on these issues; and answer relevant questions.

### 2.2.1. Publication of Section 28 notices

**Table 5: Notices that were published**

Reference	Municipalities	Newspaper	Date of Publication	Radio	Date of Broadcast
Eastern Cape					
DEM4500	Ikwezi LM (EC103), Baviaans LM (EC107) and Camdeboo LM (EC101)	Die Burger	10 April 2015	Umhloho Wenene FM	6 - 10 April 2015
		Daily Dispatch	14 April 2015	SAFM	
DEM4502	Gariiep LM and Maletswai LM (EC143)	Die Burger	10 April 2015	SAFM	7 - 10 April 2015
		Daily Dispatch	14 April 2015	Umhlobo Wenene FM	6 - 10 April 2015
DEM4503	Nxuba LM and Nkonkobe LM (EC127)	Die Burger	10 April 2015	SAFM	7 - 10 April 2015
		Daily Dispatch	14 April 2015	Umhlobo Wenene FM	6 - 10 April 2015
DEM4505	Inkwanca LM, Tsolwana LM (EC132) and Lukhanji LM (EC134)	Die Burger	10 April 2015	Umhloho Wenene FM	6 - 10 April 2015
		Daily Dispatch	14 April 2015	SAFM	7 - 9 April 2015
		The Representative and Daily Dispatch	9 May 2015		
Free State					
DEM4542	Incorporate Naledi LM into Mangaung Metropolitan Municipality	Volksblad; Daily Sun	10 April 2015	Lesedi FM	11 - 15 April 2015
				SAFM	13 - 16 April 2015
				Motheo FM	18 - 24 April 2015
Gauteng					
DEM4074	Create a Category A municipality for the whole of the West Rand District Municipality, with Mogale City LM as its core. Mogale City LM/Merafong City LM/Westonaria-Randfontein LM.	Daily Sun; The Star; Sowetan	10 July 2015		

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Reference	Municipalities	Newspaper	Date of Publication	Radio	Date of Broadcast
KwaZulu-Natal					
DEM4522	Mpofana LM and uMngeni LM (KZN222)	Isolezwe; Mercury	10 April 2015; 28 April 2015	SAFM; Ukhozi	6 - 10 April 2015
		Umgeni Eyethu; Lincroft Village Talk	1 May 2015		
Limpopo					
DEM4519	Disestablish Mutale LM	Daily Sun; The Star	10 April 2015	SAFM; Phalaphala; Thobela FM; Munghana Lonene FM	6 - 10 April 2015
		Sowetan	13 April 2015		
DEM4531	Disestablish Aganang LM	Daily Sun; The Star	10 April 2015	SAFM; Phalaphala; Thobela FM; Munghana Lonene FM	6 - 10 April 2015
		Sowetan	13 April 2015		
DEM4532	Disestablish Maruleng LM	Daily Sun; The Star	10 April 2015	SAFM; Phalaphala; Thobela FM; Munghana Lonene FM	6 - 10 April 2015
		Sowetan	13 April 2015		
DEM4533	Disestablish Fetakgomo LM	Daily Sun; The Star	10 April 2015	SAFM; Phalaphala; Thobela FM; Munghana Lonene FM	6 - 10 April 2015
		Sowetan	13 April 2015		
DEM4534	Amalgamate Modimolle and Mookgopong LMs	Daily Sun; The Star	10 April 2015	SAFM; Phalaphala; Thobela FM; Munghana Lonene FM	6 - 10 April 2015
		Sowetan	13 April 2015		
Mpumalanga					
DEM4535	Amalgamate Dr Pixley Ka Isaka Seme LM and Msukaligwa LM	Daily Sun	10 April 2015	Ikwekwezi; SAFM; Ligwalagwala	7 - 9 April 2015
		Sun Sport	12 April 2015		
		Sowetan	13 April 2015		
		Beeld	22 April 2015		
		Daily Sun	23 April 2015		
DEM4536	Amalgamate Dipaleseng LM and Lekwa LM	Daily Sun	10 April 2015	Ikwekwezi; SAFM; Ligwalagwala	7 - 9 April 2015
		Sun Sport	12 April 2015		
		Sowetan	13 April 2015		
DEM4537	Amalgamate Umjindi LM and Mbombela LM	Daily Sun	10 April 2015	Ikwekwezi; SAFM; Ligwalagwala	7 - 9 April 2015
		Sun Sport	12 April 2015		
		Sowetan	13 April 2015		
		Beeld	22 April 2015		
		Daily Sun	23 April 2015		
DEM4538	Amalgamate Emakhazeni LM and Steve Tshwete LM	Daily Sun	10 April 2015	Ikwekwezi; SAFM; Ligwalagwala	7 - 9 April 2015
		Sun Sport	12 April 2015		
		Sowetan	13 April 2015		
DEM4539	Amalgamate Victor Khanye LM and Emalahleni LM	Daily Sun	10 April 2015; 17 April 2015	Ikwekwezi; SAFM; Ligwalagwala	7 - 9 April 2015
		Sun Sport	12 April 2015		
		Sowetan	13 April 2015		

Reference	Municipalities	Newspaper	Date of Publication	Radio	Date of Broadcast
<b>Northern Cape</b>					
DEM4513	Amalgamate Mier LM and Khara Hais LM	Gemsbok	10 Apr 2015	SAFM & Radio Sonder Grense	14 - 16 April 2015
<b>North West</b>					
DEM4517	Ventersdorp LM, City of Matlosana LM and Tlokwe LM	Daily Sun	13 April 2015	SAFM & Motsweding	06 - 10 April 2015
		The Star	10 April 2015		
DEM4541	Disestablish Ratlou LM and amalgamate with Mahikeng and Tswaing LMs with a view to optimising the financial viability of the new municipalities.	The New Age	15 February 2015	SA FM; Motsweding FM	23 February 2015

### 2.2.2 Section 28 public meetings

In some areas the Minister's proposals were not welcomed and resulted not only in litigation, but also in boycotts of meetings and violent protests. However, the Board managed to conduct public meetings in all affected areas and more than one meeting was held in some areas.

**Table 6: Meetings scheduled in April 2015**

Reference/ Dem No.	Minister's Request	Affected Municipalities	Code	Time	Date	Place
Eastern Cape						
DEM4500	Amalgamate Ikwezi LM, Baviaans LM and Camdeboo LM with the view to optimising the financial viability of the new municipality.	Camdeboo	EC101	10:00	15 April 2015	Sarah Baartman District Municipality: Graaff Reinet Town Hall
		Ikwezi	EC103			
		Baviaans	EC107			
DEM4502	Amalgamate Gariep LM with Maletswai LM with the view to optimising the financial viability of the new municipality.	Maletswai	EC143	10:00	17 April 2015	Joe Gqabi District Municipality: Joe Slovo Community Hall
		Gariep	EC144			
DEM4503	Amalgamate Nxuba LM with Nkonkobe LM with the view to optimising the financial viability of the new municipality.	Nkonkobe	EC127	10:00	14 April 2015	Amathole District Municipality: Adelaide Town Hall
		Nxuba	EC128			
DEM4505	Amalgamate Inkwanca LM, Tsolwana LM and Lukhanji LM with the view to optimising the financial viability of the new municipality.	Tsolwana	EC132	10:00	16 April 2015 and 1 June 2015	Chris Hani District Municipality: Council Chambers and Queenstown Town Hall
		Inkwanca	EC133			
		Lukanji	EC134			
Free State						
DEM4542	Incorporate Naledi LM into the Mangaung Metropolitan Municipality with a view to optimising the financial viability of the new municipality.	Naledi	FS164	10:00	24 April 2015	Qibing Community Hall, Naledi LM
		Mangaung	MAN			
		Xhariep	DC16			

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Reference/ Dem No.	Minister's Request	Affected Municipalities	Code	Time	Date	Place
<b>KwaZulu-Natal</b>						
DEM4522	Disestablish Mpofana LM:  Wards 1, 2 and 3 Mpofana LM to be amalgamated with uMngeni LM, while ward 4 Mpofana LM be amalgamated with Umvoti LM A portion of ward 2 Mpofana LM be incorporated into LMpendle LM. The effect of this would be the total disestablishment of Mpofana LM.	uMngeni Mpofana Impendle Umvoti uMgungundlovu Umzinyathi	KZN222 KZN223 KZN224 KZN245 DC22 DC24	10:00	16 April 2015 and 30 April 2015	uMgungundlovu District Municipality: Mooi River Town Hall and Howick West Community Hall
<b>Limpopo</b>						
DEM4532	Disestablish Maruleng LM with a view to optimising the financial viability of these municipalities in the Mopani DC.	Greater Tzaneen Ba-Phalaborwa Maruleng	LIM333 LIM334 LIM335	10:00	14 April 2015	Mopani District Municipality: Sports Ground Maruleng
DEM4519	Disestablish Mutale LM with a view to optimising the financial viability of all the municipalities in the Vhembe District.	Musina Mutale Thulamela Makhado	LIM341 LIM342 LIM343 LIM344	10:00	21 April 2015	Vhembe District Municipality: Thuhoyandou Indoor Sports Centre
DEM4531	Disestablish Aganang LM with a view to optimising the financial viability of these municipalities in the Capricorn District Municipality.	Blouberg Aganang Molemole Polokwane	LIM351 LIM352 LIM353 LIM354	10:00	15 April 2015	Capricorn District Municipality: Aganang Municipal Hall
DEM4534	Amalgamate Modimolle and Mookgopong LMs with a view to optimising financial viability.	Mookgopong Modimolle	LIM364 LIM365	10:00	16 April 2015	Waterberg District Municipality: OR Tambo Memorial Hall
DEM4533	Disestablish Fetakgomo LM with a view to optimising the financial viability of these municipalities in the Sekhukhune DC.	Makhuduthamaga Fetakgomo Greater Tubatse	LIM473 LIM474 LIM475	10:00	17 April 2015	Sekhukhune District Municipality: Moses Mabotha Civic Hall
<b>Mpumalanga</b>						
DEM4535	Amalgamate Dr Pixley Ka Isaka Seme LM and Msukaligwa LM with a view to optimising the financial viability of the new municipality.	Msukaligwa Dr Pixley Ka Isaka Seme	MP302 MP304	10:00	14 April 2015 and 30 April 2015	Gert Sibande District Municipality: Mayor's Parlour Emerlo and Volkst Town Hall
DEM4536	Amalgamate Dipaleseng LM and Lekwa LM with a view to optimising the financial viability of the new municipality. (see notes at end of table)	Lekwa Dipaleseng	MP305 MP306			
DEM4539	Amalgamate Victor Khanye LM and Emalahleni LM with a view to optimising the financial viability of the new municipality.	Victor Khanye Emalahleni	MP311 MP312	10:00	15 April 2015 and 20 April 2015	Nkangala District Municipality: Council Chambers and Simon Gondwe Art and Culture Centre, Delmas
DEM4538	Amalgamate Emakhazeni LM and Steve Tshwete LM with a view to optimising the financial viability of the new municipality.	Steve Tshwete Emakhazeni	MP313 MP314			



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Reference/ Dem No.	Minister's Request	Affected Municipalities	Code	Time	Date	Place
DEM4537	Amalgamate Umjindi LM and Mbombela LM with a view to optimising the financial viability of the new municipality.	Mbombela	MP322	10:00	16 April 2015	Ehlanzeni District Municipality: Disaster Management Centre and Barberton Town Hall
		Umjindi	MP323		and 24 April 2015	
<b>Northern Cape</b>						
DEM4513	Amalgamate Mier LM and Khara Hais LM with a view to optimising the financial viability of the new municipality.	Mier	NC081	10:00	21 April 2015	Z.F. Mgcawu District Municipality: Tall Speelman Hall
		Khara Hais	NC083			
<b>North West</b>						
DEM4540	Amalgamate Kgetleng Rivier LM with Rustenburg LM with a view to optimising the financial viability of the new municipality.	Rustenburg	NW373	10:00	14 April 2015	Bojanala District Municipality: Ben Marais Hall
		Kgetlengrivier	NW374			
DEM4541	Disestablish Ratlou LM and amalgamate with Mahikeng and Tswaing Local Municipalities with a view to optimising the financial viability of the new municipalities.	Ratlou	NW381	10:00	15 April 2015	Ngaka Modiri Molema District Municipality: Civic Centre Mmabatho
		Tswaing	NW382			
		Mafikeng	NW383			
DEM4516	Amalgamate Kagisano- Molopo LM and Naledi LM with the view to optimising the financial viability of the new municipality.	Naledi	NW392	10:00	16 April 2015	Dr Ruth Segomotsi Mompati District Municipality: Naledi Banquet Hall
		Kagisano- Molopo	NW397			
DEM4517	Amalgamate Ventersdorp LM and Tlokwe LM, and optimising the financial viability of the new municipality by incorporating wards from the Matlosana LM.	Ventersdorp	NW401	10:00	17 April 2015	Dr Kenneth Kaunda District Municipality: Tsing Township Community Hall
		Matlosana	NW403			
		Tlokwe City	NW402			
<b>Gauteng</b>						
DEM4047	Create a Category A municipality for the whole of the West Rand District Municipality, with Mogale City LM as its core.	Mogale City	GT481	10:00	23 July 2015	Centenary Hall, Mogale City
	Mogale City LM/ Merafong City LM/ Westonaria-Randfontein LM.	Randfontein	GT482	10:00	21 July 2015	IEC Hall Randfontein
		Westonaria	GT483	10:00	22 July 2015	Banquet Hall, Westonaria
		Merafong	GT484	10:00	24 July 2015	Civic Center, Merafong

Note: Some of these meetings were rescheduled, and in some areas, meetings were disrupted. A second meeting was held on 1 June 2015 in respect of DEM4505, but was again disrupted. A second meeting was also held in respect of DEM4522 and DEM4517 on 30 April 2015 and 24 April 2015, respectively. No meetings were held in Dipaleseng/Lekwa (DEM4536) due to protests and threats of violence.

### 2.3. Studies/investigations commissioned

As mentioned earlier, the Board opted, over and above public meetings, to also commission studies to investigate and gather information on 22 cases. That is for the Board to satisfy itself on whether the proposed re-determinations meet the criteria set out in Section 24 and 25 of the Municipal Demarcation Act of 1998. These ran concurrently with the public meetings and were concluded in June 2015. Studies are just one of the mechanisms, and not the only consideration, used by the Board to gain a deeper understanding of the areas and municipalities affected by the proposals.

### 2.4. Publication of section notices

The actual decision making as to whether a municipal boundary should change or not, is done in terms of Section 21 of the Municipal Demarcation Act of 1998. This section stipulates that the Board must publish its determination or re-determination of a municipal boundary in the relevant Provincial Gazette. Any person aggrieved by a determination of a municipal boundary may, within thirty days of publication of that determination, submit objections in writing to the Board. The Board must consider any objections; either confirm, vary or withdraw its determination; and publish its decision in the relevant Provincial Gazette. In this regard, the Board considered reports from public meetings, studies and other documents and resolved as follows:

**Table 7: Section 21 Determination or Re-determination**

Reference Number	Affected Municipalities	Section 21 Determination or Re-determination
<b>Eastern Cape</b>		
DEM4500	Ikwezi LM (EC103) and Camdeboo LM (EC101)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Ikwezi LM (EC103) and Camdeboo LM (EC101) by amalgamating their municipal areas.</li> </ul>
DEM4502	Gariep LM (EC144) and Maletswai LM (EC143)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Gariep LM (EC144) and Maletswai LM (EC143) by amalgamating their municipal areas.</li> </ul>
DEM4503	Nxuba LM (EC128) and Nkonkobe LM (EC127)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Nxuba LM (EC128) and Nkonkobe LM (EC127) by amalgamating their municipal areas.</li> </ul>
DEM4505	Inkwanca LM (EC133), Tsolwana LM (EC132), Lukhanji LM (EC134), and Inxuba Yethemba LM (EC131)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Inkwanca LM (EC133), Tsolwana LM (EC132), Lukhanji LM (EC134), and Inxuba Yethemba LM (EC131) by: <ul style="list-style-type: none"> <li>excluding a portion of the municipal area of Tsolwana LM from Tsolwana LM and by including it into the municipal area of Inxuba Yethemba LM, as reflected on the attached map; and</li> <li>by amalgamating the remaining portion of the municipal area of Tsolwana LM with the municipal areas of Inkwanca LM and Lukhanji LM.</li> </ul> </li> </ul>
<b>KwaZulu-Natal</b>		
DEM4522	Mpofana LM (KZN223), uMgungundlovu District Municipality (DC22), Umvoti LM (KZN245) and Umzinyathi District Municipality (DC24)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has re-determined the municipal boundaries of Mpofana LM (KZN223), uMgungundlovu District Municipality (DC22), Umvoti LM (KZN245), and Umzinyathi District Municipality (DC24) by excluding a portion of the municipal areas of Mpofana LM and uMgungundlovu DC (the Cadham voting district) from the municipal areas of Mooi Mpofana LM and Umgungundlovu DC, and by including it into the municipal area of Umvoti LM and Umzinyathi LM.

Reference Number	Affected Municipalities	Section 21 Determination or Re-determination
<b>Free State</b>		
DEM4542	Mangaung Metropolitan Municipality (MAN), Xhariep District Municipality (DC16) and Naledi LM (FS164)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has re-determined the municipal boundaries of Mangaung Metropolitan Municipality (MAN), Xhariep District Municipality (DC16) and Naledi LM (FS164) by excluding the municipal area of Naledi LM from the municipal area of Xhariep DC, and by including it into the municipal area of Mangaung Metropolitan Municipality.
<b>Limpopo</b>		
DEM4519	Mutale LM (LIM342), Thulamela LM (LIM343), Makhado LM (LIM344), and Musina LM (LIM341)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Mutale LM (LIM342), Thulamela LM (LIM343), Makhado LM (LIM344), and Musina LM (LIM341) by: <ul style="list-style-type: none"> <li>excluding portions of the municipal area of Mutale LM from Mutale LM, and by including them into the municipal area of Thulamela LM (LIM343);</li> <li>excluding portions of the municipal area of Mutale LM from Mutale LM, and by including them into the municipal area of Musina LM (LIM341);</li> <li>excluding portions of the municipal area of Makhado LM from Makhado LM and by including them into a new municipal area; and</li> <li>by excluding portions of the municipal area of Thulamela LM from Thulamela LM and by including them into the new municipal area.</li> </ul> </li> <li>determined the boundaries of the new Category B municipal area comprising portions of the municipal areas of Makhado and Thulamela LM.</li> </ul>
DEM4531	Aganang LM (LIM352), Blouberg LM (LIM351), and Polokwane LM (LIM354).	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has re-determined the municipal boundaries of Aganang LM (LIM352), Blouberg LM (LIM351), and Polokwane LM (LIM354) by: <ul style="list-style-type: none"> <li>excluding portions of the municipal area of Aganang LM from Aganang LM, and by including them into the municipal area of Blouberg LM (LIM351);</li> <li>excluding portions of the municipal area of Aganang LM from Aganang LM and by including them into the municipal area of Polokwane LM (LIM354).</li> </ul>
DEM4533	Fetakgomo LM (LIM474) and Greater Tubatse LM (LIM375)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Fetakgomo LM (LIM474) and Greater Tubatse LM (LIM375) by amalgamating their municipal areas.</li> <li>determined the municipal boundaries of the new Category B municipal area.</li> </ul>
DEM4534	Modimolle LM (LIM365) and Mookgopong LM (LIM364)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Modimolle LM (LIM365) and Mookgopong LM (LIM364) by amalgamating their municipal areas; and</li> <li>determined the municipal boundaries of the new Category B municipal area.</li> </ul>
<b>Mpumalanga</b>		
DEM4537	Umjindi LM (MP323) and Mbombela LM (MP322)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Umjindi LM (MP323) and Mbombela LM (MP322) by amalgamating their municipal areas; and</li> <li>determined the municipal boundaries of the new Category B municipal area.</li> </ul>
<b>Northern Cape</b>		
DEM4513	Mier LM (NC081) and Khara Hais LM (NC083)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Mier LM (NC081) and //Khara Hais LM (NC083) by amalgamating their municipal areas, and</li> <li>determined the municipal boundaries of the new Category B municipal area.</li> </ul>

Reference Number	Affected Municipalities	Section 21 Determination or Re-determination
<b>North West</b>		
DEM4517	Tlokwe LM (NW402), and Ventersdorp LM (NW401)	In terms of Section 21 of the Local Government: Municipal Demarcation Act of 1998, the MDB has: <ul style="list-style-type: none"> <li>re-determined the municipal boundaries of Tlokwe LM (NW402), and Ventersdorp LM (NW401) by amalgamating their municipal areas, and</li> <li>determined the municipal boundaries of the new Category B municipal area.</li> </ul>

**Table 8: Cases that the Board decided not to re-determine municipal boundaries for**

<b>Gauteng</b>	
DEM4074	Create a Category A municipality for the whole of the West Rand District Municipality, with Mogale City LM as its core.
<b>Limpopo</b>	
DEM4532	Disestablish Maruleng LMs with a view to optimising the financial viability of these municipalities in the Mopani District Municipality.
<b>Mpumalanga</b>	
DEM4535	Amalgamate Dr Pixley Ka Isaka Seme LM and Msukaligwa LM with a view to optimising the financial viability of the new municipality.
DEM4536	Amalgamate Dipaleseng LM and Lekwa LM with a view to optimising the financial viability of the new municipality.
DEM4538	Amalgamate Emakhazeni LM and Steve Tshwete LM with a view to optimising the financial viability of the new municipality.
DEM4539	Amalgamate Victor Khanye LM and Emalahleni LM with a view to optimising the financial viability of the new municipality.
<b>North West</b>	
DEM4516	Amalgamate Kagisano Molopo LM (NW397) and Naledi LM (NW392) with the view to optimising the financial viability of the new municipality.
DEM4540	Amalgamate Kgetleng Rivier LM with Rustenburg LM with a view to optimising the financial viability of the new municipality.
DEM4541	Disestablish Ratlou LM and amalgamate with Mahikeng and Tswaing Local Municipalities with a view to optimising the financial viability of the new municipalities.

**Table 9: The Section 21 notices requesting anyone aggrieved by a decision of the Board to submit objections, were published as follows:**

Province	Notice No.	Provincial Gazette No.	Date of Publication
Eastern Cape	142	3422	8 July 2015
	90	3481	25 August 2015
Free State	27	36	7 July 2015
	56	79	25 August 2015
KwaZulu-Natal	25	1404	7 July 2015
	121	1476	25 August 2015
Limpopo	262	2545	7 July 2015
	53	2586	25 August 2015
Mpumalanga	425	2506	7 July 2015
	29	2545	25 August 2015
Northern Cape	69	1911	7 July 2015
	131	1949	25 August 2015
North West	370	7487	7 July 2015
	62	7525	25 August 2015



## 2.5. Final decision of the Board in terms of Section 21(5)

At the expiry of the objection period, the Board considered all the objections and resolved to re-determine municipal boundaries. At the end, the Board re-determined and determined the municipal boundaries in 13 of the 34 cases submitted by the Minister of Co-operative Governance and Traditional Affairs, as reflected in the table below:

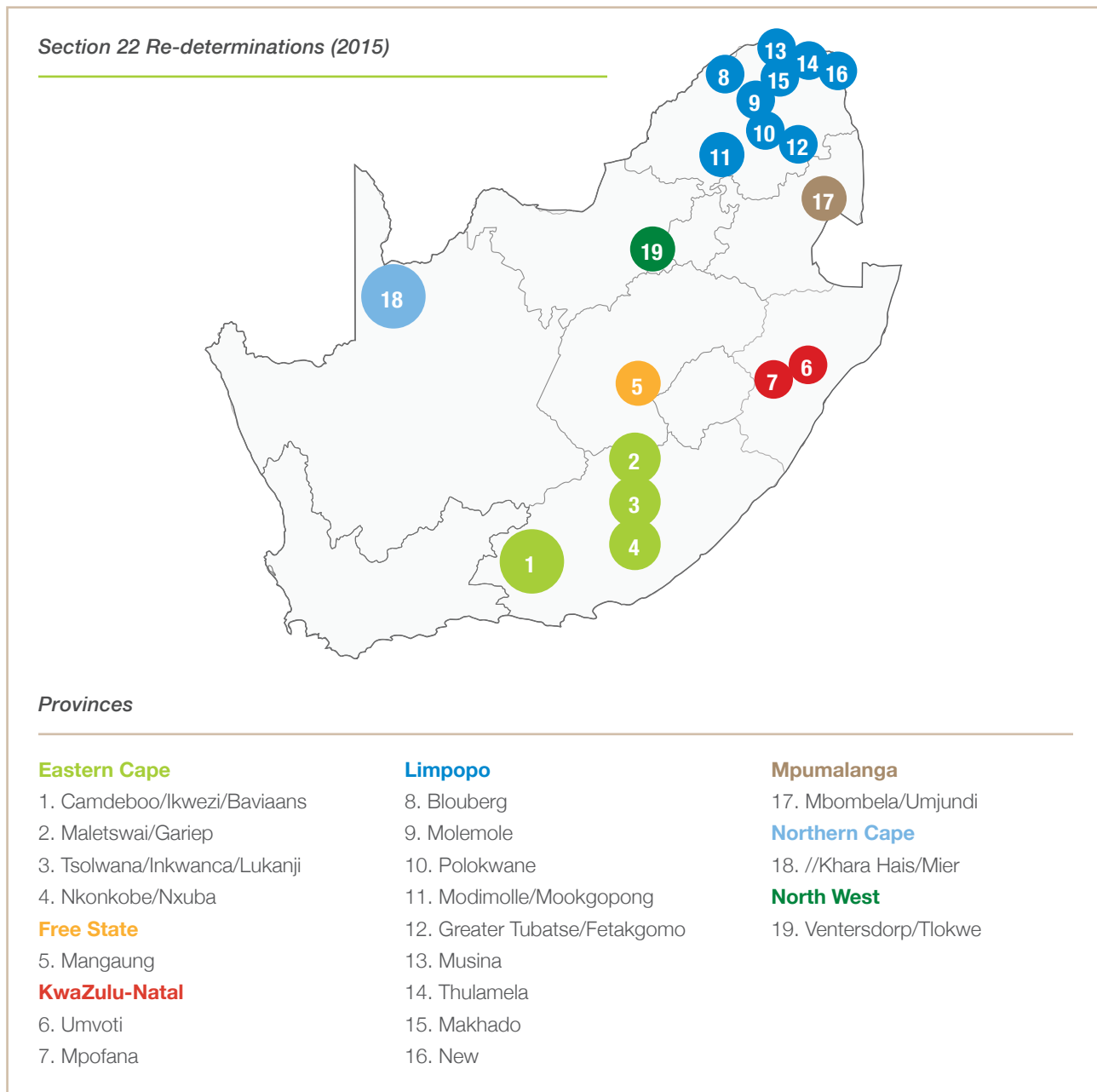
**Table 10: Affected municipalities**

Reference	Municipalities
<b>Eastern Cape</b>	
DEM4500	Ikwezi LM, Baviaans LM, and Camdeboo LM amalgamated.
DEM4502	Gariep LM and Maletswai LM amalgamated.
DEM4503	Nxuba LM and Nkonkobe LM amalgamated.
DEM4505	Inkwanca LM, Tsolwana LM and Lukhanji LM amalgamated.
<b>Free State</b>	
DEM4542	Naledi LM incorporated into Mangaung Metropolitan Municipality
<b>KwaZulu-Natal</b>	
DEM4522	A portion of the municipal areas of Mpofana LM and uMgungundlovu DC (the Cadham voting district) included into the municipal areas of Umvoti LM and Umzinyathi DM
<b>Limpopo</b>	
DEM4519	Mutale LM disestablished and a new LM demarcated in Vhembe. The boundaries of Musina, Thulamela, and Makhado reconfigured.
DEM4531	Aganang LM disestablished and portions included into Polokwane, Blouberg and Molemole.
DEM4533	Fetakgomo LM and Greater Tubatse LM amalgamated.
DEM4534	Modimolle LM and Mookgopong LM amalgamated.
<b>Mpumalanga</b>	
DEM4537	Umjindi LM and Mbombela LM amalgamated.
<b>Northern Cape</b>	
DEM4513	Mier LM and Khara Hais LM amalgamated.
<b>North West</b>	
DEM4517	Ventersdorp and Tlokwe amalgamated.

**Table 11: Section 21(5) final decisions of the Board were published as follows:**

Province	Provincial Gazette No.	Notice No.	Date of Publication
Eastern Cape	3481	90	25 August 2015
(Baviaans)	3526	153	21 October 2015
Free State	79	56	25 August 2015
KwaZulu-Natal	1476	121	25 August 2015
Limpopo	2586	53	25 August 2015
Mpumalanga	2545	29	25 August 2015
Northern Cape	1949	131	25 August 2015
North West	7525	62	25 August 2015

The following map indicates the final reconfiguration of municipal boundaries in 2015:

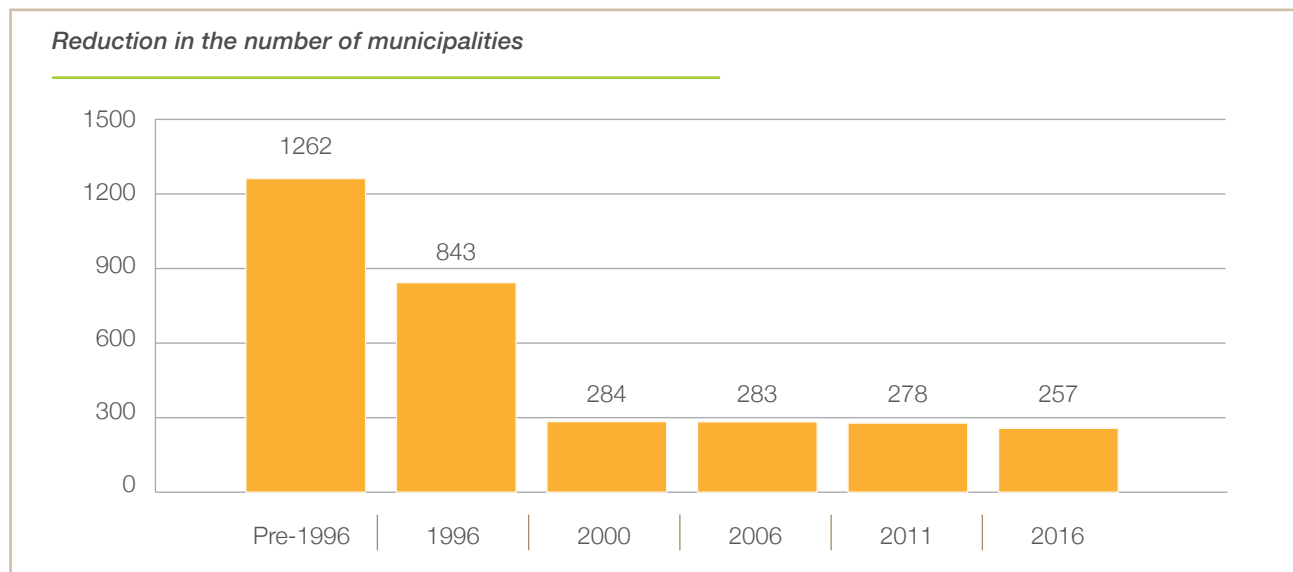


## 2.6. Reduction in the number of municipalities

Prior and after the new (1996) constitutional dispensation, the number of local government bodies were reduced from 1 262 to 843 local authorities. The MDB commenced with

a further rationalisation process in 1999/2000. The number of municipalities were reduced from 834 to 284 in 2000, from 284 to 283 in 2006, and from 283 to 278 in 2011. As from the date of the local elections in 2016, the number of municipalities will be reduced from 278 to 257.

The graph below shows the trend in the reduction in the number of municipalities from the period before 1996 to date.



**Table 12: In terms of the categories of municipalities the numbers will be as follows from the date of the 2016 local elections:**

Province	Category A	Category B	Category C	Total
Eastern Cape	2	31	6	39
Free State	1	18	4	23
Gauteng	3	6	2	11
KwaZulu-Natal	1	43	10	54
Limpopo	0	22	5	27
Mpumalanga	0	17	3	20
Northern Cape	0	26	5	31
North West	0	18	4	22
Western Cape	1	24	5	30
<b>Total</b>	<b>8</b>	<b>205</b>	<b>44</b>	<b>257</b>

## 2.7. IEC Section 23 views

In all cases approved by the Board, the IEC expressed their views in terms of Section 23 that the representation of voters in the affected councils would be affected, which means that the boundary changes will take effect on the date of the 2016 local elections.

**Table 13: The IEC published its Section 23 notices as follows:**

Province	Notice No	Provincial Gazette No	Date
Eastern Cape	92	3483	27 August 2015
Free State	57	80	27 August 2015
KwaZulu-Natal	122	1482	27 August 2015
Limpopo	54	2587	27 August 2015
Mpumalanga	30	2564	27 August 2015
Northern Cape	132	1950	27 August 2015
North West	64	7527	27 August 2015

## **2.8. Litigation**

As in previous Board processes, the Board received threats of litigation, of which some materialised.

The Board finalised the outer municipal boundaries cycle in October 2013. Subsequent hereto, the Board received the Midvaal High Court Application in April 2014 regarding the Board decision to amalgamate Midvaal, Lesedi and Emfuleni municipalities. In this regard, a court settlement was reached between the stakeholders and the matter was set for hearing, on an unopposed basis, for 22 September 2015. The implications of the settlement was that the 2013 boundary changes in Ekurhuleni, Lesedi, Midvaal, and Emfuleni were set aside.

On 25 June 2015 the Board was interdicted by the Baviaans municipality not to entertain the Minister's request in respect of Ikwezi/Baviaans/Camdeboo (case no: 1316/2015). The Court decided that the Board's Section 26 radio advertisements were defective and had to be repeated. The Board's application for leave to appeal was heard on 10 December 2015 in the High Court in Grahamstown. The appeal judgement was handed down on 28 January 2015 (case 13/16), and leave to appeal was granted.

In case number 70915/2015, the Democratic Alliance attacked the decisions of the Board in respect of all the cases where municipal boundaries were changed as a result of the Minister's requests. The application was divided into two parts. In Part A interim relief was sought to stop the implementation of Board decisions. Judgement was handed down on 6 November 2015, and the Court dismissed the application for interim relief with costs. Part B of the application is still to be heard.

On 6 October 2015, the Masia Traditional Council, together with others, also brought an application in the Gauteng North High Court (case no. 80434/15) to review, set aside and refer back to the Board, the Board's final decision regarding the incorporation of portions of Mutale into Thulamela and Musina and the creation of a new municipal area comprising of portions of the municipal areas of Makhado and Thulamela local municipalities. This case was heard on 21 and 22 April 2016. Judgement was handed down on 29 April 2016. The application was dismissed and the decision of the Board upheld.

## **3. TIMEFRAMES**

The timeframes to complete the demarcation process was very tight and not without sacrifices. The ward delimitation process was adversely affected in that it was not possible for the Board to hand over final wards to the IEC by end August 2015, as was originally planned. Furthermore, the delays in finalising the outer boundaries also created some uncertainties around planning for the Medium-term Budget Policy Statement tabled in Parliament during October 2015, as required by the Money Bills Amendment Procedure and Related Matters Act.

## **4. DEALING WITH THE CONSEQUENCES**

Section 31 of the Municipal Demarcation Act of 1998, provides that the legal, practical and other consequences resulting from the area of a municipality being wholly or partially incorporated in or combined with the area of another municipality, must be dealt with in terms of the Municipal Structures Act of 1998.

The latter Act places the onus on the relevant MECs responsible for local government. Though DCoG guided and managed the provincial processes in this regard, it is unclear as to whether all the newly demarcated municipalities will be ready and functional as from the date of the 2016 local elections. The transfer of assets, staff and liabilities, can be a long, tedious and expensive exercise.

DCoG has constituted a forum called the Municipal Demarcation Transition Committee to facilitate the establishment of the newly determined and re-determined municipalities. This is an intergovernmental forum that is chaired by the Director-General of the Department of Co-operative Governance and Traditional Affairs. All MECs responsible for local government in all affected provinces and all national departments who are expected to play a particular role, are represented, i.e. Traditional Affairs, Water and Sanitation, Rural Development and Land Reform, Education, Public Works, Health, National Treasury, Government Communication and Information Systems, etc., and state institutions such as the MDB, SALGA and IEC.

## 5. CAPACITY CONSTRAINTS AND CHALLENGES

The following capacity constraints and challenges were identified:

- Insufficient financial resources for additional human resources (i.e. specialist skills);
- Insufficient funding for usage in extended stakeholder and public engagement to ensure sufficient coverage of stakeholders affected by the work of the MDB;
- Insufficient internal research capacity and capabilities;
- Over-reliance on stakeholders for assistance, especially municipalities, thus risking loss of control over its operations, e.g. municipalities are often requested to extend invitations and provide venues;
- The depth and extent of research investigations is often compromised when resources are inadequate; and
- The acquisition of cutting-edge technology and up-to-date spatial data is sacrificed due to financial constraints.

Technology is an enabler in terms of improving functionality and increasing the accessibility of the MDB.

Some of the technological interventions required, are as follows:

- Interactive mapping tools using Geographical Information System (GIS) to assist in participatory mapping during public consultations;
- Deploying data warehousing technology to integrate

data from different sources for reporting and to support decision making;

- Improving the internal document management system to enable the storage, sharing and handling of correspondence and project specific documentation.

## 6. LEGISLATIVE AMENDMENTS

The mandate of the Board is contained in two separate pieces of legislation, namely the Municipal Demarcation Act of 1998 and the Municipal Structures Act of 1998. The Board has identified several areas that require attention in order to facilitate smooth implementation and efficient execution of its mandate.

The following are some of the areas of possible legislative review:

- Enhancement and clarification of the demarcation objectives and criteria;
- Review of the ward delimitation criteria, especially the norm;
- Enhancement of public participation and consultation processes;
- Frequency of demarcations, including wards;
- Need to regulate timeframes for all stakeholders in the ward delimitation process;
- Clarify planning and service delivery role of wards; and
- Utilisation of number of registered voters vis-à-vis population.



MDB conducts public consultation meetings during the demarcation process



# PART C: PERFORMANCE INFORMATION



# PERFORMANCE INFORMATION

## 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility of Performance Information for the year ended 31 March 2016.

The Chief Executive Officer is responsible for the preparation of the MDB's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the MDB for the financial year ended 31 March 2016.

The MDB's performance information for the year ended 31 March 2016 has been examined by the external auditors and their report is presented on page 65.

The performance information of the institution set out on page 37 to page 43 was approved by the accounting officer.



**Mr Dithabe Nkoane**

**Chief Executive Officer**

Municipal Demarcation Board

29 July 2016

## 2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 65 of the Auditor's Report, published as Part F: Financial Information.

## 3. OVERVIEW OF PERFORMANCE

### 3.1 Service delivery environment

The MDB managed to complete two of its main programmes in the year under review, which are the municipal outer boundary re-determination and ward delimitation processes. It is unprecedented that the MDB conducts both processes during the same period.

These processes were characterised by community and stakeholder dissatisfaction which were manifested through sporadic community protests and litigation.

The Section 22 request by the Minister of Co-operative Governance and Traditional Affairs for the re-determination of municipal outer boundaries were not budgeted for and the accumulated surplus was utilised for this project.

The expectation by stakeholders and general public from the MDB on consultation and public engagement, were much higher than during previous cycles.

### 3.2 Organisational environment

The Board delivers its mandate through four divisions. These divisions drive the performance of the Board as follows:

Operations and Research Division	Programme 1
Research Unit	Programme 2
Finance Division	Programme 3
Corporate Services Division	Programme 4

The staff complement of the Board is 42 employees, including six contract employees and five interns.

Major weaknesses in the organisational structure have been highlighted by the Board on several occasions and through its Annual Reports over the past few years. While the organisational structure is very small to execute the Board's mandate, the ratio is also skewed in favour of support staff. Only 38% of the total staff component comprises specialist and technical people responsible for the two programmes that drive the core mandate.

Critical management positions such as the Chief Executive Officer and Chief Financial Officer, were vacant for the greater part of the 2015/16 financial year. Other critical management positions of Executive Manager: Corporate Services, Head: Research, and Head: Stakeholder Management and Communication either became vacant early in the 2015/16 financial year or were vacant for the whole period. Two employees acted in the positions of Head: Research, and Head: Stakeholder Management and Communication.

Despite staff and financial constraints, the Board has successfully concluded the ward delimitation process and the re-determination of certain municipal outer boundaries in response to the Minister of Co-operative Governance

and Traditional Affairs' Section 22 request. The Operations and Research Division, lacks human resources to further enhance public participation in all nine provinces. A need was expressed to develop the regional footprint of the MDB. The organisation currently has only seven specialists, of which one position is vacant, whereas the long-term goal is to have a team of three specialists per province, to fulfil its provincial focus.

Another key strategic priority identified, was effective stakeholder management, including communication and public education about re-determinations, delimitations and municipal capacity assessments.

### 3.3 Key policy developments and legislative changes

There were no key policy developments or legislative changes for the period under review.

### 3.4 Strategic Outcome-oriented Goals

- Facilitate spatial and economic transformation through determination and re-determination of municipal boundaries.
- Enhance participatory democracy through municipal ward delimitation.
- Assess the capacity of metropolitan, district and local municipalities.
- Strengthen research and knowledge management.
- Improved public participation through enhanced citizen engagement and communication.
- Ensuring good governance and sound financial management, supported by an effective and efficient organisation, with relevant organisational processes, systems and practices in place.

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 Programme 1: Operations

Provides management of all processes in pursuit of the legislative mandate of the MDB, and includes:

- Determination and re-determination of municipal boundaries,
- Appropriate categorisation of municipalities,
- Advisory service on the alignment of service delivery boundaries to municipal boundaries,
- Declaration and withdrawal of declaration of district management areas,
- Delimitation of municipal wards for local government elections.

#### Key performance indicators, planned targets and actual achievements

Determination and Re-determination of Municipal Boundaries				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				
All requests for boundary re-determinations processed	N/A	100% of requests for boundary re-determinations considered and processed	100% of requests for boundary re-determinations considered and finalised	None
				Comment on deviations

Delimit Wards to Facilitate local Government Elections				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				
Delimit wards for all municipalities that qualify to have wards	Due to the delay in the publication of the formula by the Minister responsible for local government and subsequent later determination of the number of councillors by MECs for local government, the ward delimitation process only commenced in September 2014. The first draft maps were all completed by November 2014 and a launch for the public consultations was held in December 2014. Consultations began in January 2015 and 70% of all municipalities qualifying to have wards were consulted by the end of March 2015.	100% of wards for the 2016 local government elections finalised	100% of wards for the 2016 local government elections finalised	None
				Comment on deviations

#### Strategy to overcome areas of under performance

The division was successful in achieving its targets, however, it must improve on planning for future processes in avoid pressurised situations.

#### Changes to planned targets

No planned targets were changed.

#### 4.2 Programme 2: Research and Knowledge Management

- The programme will conduct municipal capacity assessment to support decisions
- The programme includes knowledge development and management to facilitate optimal decision making and to position the Board as a knowledge hub on all matters involving spatial planning and boundary demarcations.

##### Key performance indicators, planned targets and actual achievements

Capacity Assessments				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				
Date by which to develop a new capacity assessment model	Capacity assessments were not conducted, due to a lack of human resources to manage such work in the Operations & Research Division. It was decided that the ward delimitation process be completed first before capacity assessments are embarked upon.	30 September 2015	The development of a new capacity assessment model was delayed due to Section 22(2) proposals from which lessons learnt emanated. The capacity assessment model could only be developed upon completion of the Section 22(2) process.	The development of a model is included in the 2016/2017 Annual Performance Plan.
				There will be enough focus on this work in the 2016/2017 financial year as this has been prioritised, unlike in the previous year where there were other competing priorities.

Knowledge Development and Partnerships with other Similar Research Institutions				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				
A number of partnerships established with other similar research institutions	New indicator	4	This target could not be achieved. Work is in progress to establish partnerships with local research organisations. MoU with Stats SA was signed.	Only one out of four partnerships has been formalised by way of an MoU by the end of the review period.
Demarcation Review Symposium	New indicator	1	This target could not be achieved. Lessons learned (policy and process) from the Section 22(2) boundary re-determination process, could not be left out, hence the delay.	On completion of the municipal boundary re-determination and ward delimitation processes, the Board is now arranging a more meaningful conference.
				There has been attempts to initiate partnerships with local and international organisations such as GTAC and GIZ, but it is still early to formalise MoUs with these organisations.
				This will be achieved within the 2016/2017 financial year. The conference is scheduled for June 2016.

##### Strategy to overcome areas of underperformance

The Research and Knowledge Management Unit must be resourced. More emphasis should be put on establishing partnerships with research institutions to compensate for limited internal resources.

##### Changes to planned targets

No planned targets were changed.



#### 4.3 Programme 3: Finance and Management accounting

Provides policy leadership, advice and core support services, including:

- Financial management,
- Financial Reporting,
- Supply chain management,
- Risk Management.

##### Key performance indicators, planned targets and actual achievements

Ensure Good Governance and Sound Financial Management				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				Comment on deviations
Opinion of the Auditor-General on Annual Financial Statements.	Unqualified audit opinion	Clean audit (unqualified audit without emphasis of matter).	Clean audit (unqualified audit without emphasis of matter).	None
Internal audit rating.	Cumulative internal audit rating of 3	Internal audit rating 2 (audit objectives met with housekeeping matters).	Internal audit rating: Some improvement needed.	None
Number of risk management reports.	New indicator	Four quarterly risk management reports produced.	Four quarterly risk management reports produced.	None
Number of findings on non-compliance with cost containment measures.	Irregular expenditure incurred during the year	Zero instances of non-compliance with National Treasury cost containment measures	One known instance of non-compliance with National Treasury cost containment measures.	Target not achieved Employment agencies were requested for résumés for a vacancy, but they were not requested to provide their respective commission rates for placement.
Number of sources of revenue.	New indicator	One additional source of revenue or funding	Target not achieved. Contact has been made with potential partners, but an additional source of revenue has not been secured.	Target not achieved This indicator has been included in the 2016/2017 Annual Performance Plan.
Frequency of Organisational and Financial Performance Monitoring reporting.	Organisational and Financial Performance reports for all three programmes were issued.	One (1) Organisational and Financial Performance Monitoring report issued.	Quarterly Organisational and Financial Performance Monitoring reports issued per programme.	None

##### Strategy to overcome areas of underperformance

Due to the tough economic climate, it has become very difficult to secure additional external sources of revenue.

##### Changes to planned targets

No planned targets were changed.

#### 4.4 Programme 4: Corporate Services

- Stakeholder Management and Communication,
- Administration and Human Resources,
- Legal Services and Board Secretariat,
- Information Systems and Technology Management.

##### *Key performance indicators, planned targets and actual achievements*

Strategic Objective					
Public Participation and Stakeholder Engagement					
Performance indicator	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
Number of MDB stakeholder engagement platforms created for public engagement	New indicator	Six MDB stakeholder engagement platforms created	<ul style="list-style-type: none"> <li>• Radio campaign for the Section 28 process;</li> <li>• Social media platforms;</li> <li>• Eight media releases were issued;</li> <li>• 84 interviews conducted with MDB Chairperson, Board members and CEO.</li> </ul>	None	
Number of internal communication activities	New indicator	Four internal communication activities	Two internal corporate newsletters produced and circulated; Eighteen consolidated news bulletins circulated to Management and Board members.	None	
Number of external communication activities	New indicator	Four external communication activities	An educational DVD was developed and features articles published in Municipal Focus and Government Digest magazines.	A social media education campaign on Board mandate and roles was not launched.	Due to HR capacity constraints and delays with the launch of the new MDB website, the education campaign on Board mandate and roles was not launched.
Number of media analysis reports	New indicator	Four media analysis reports	Four media analysis reports have been compiled.	None	
Number of perception surveys	A survey was conducted during district consultation sessions	Two perception surveys	One internal perception survey was conducted.	An external perceptions survey was not conducted.	Due to HR capacity constraints, it was not feasible to conduct an extensive and valuable external perception survey.
Number of brand building campaigns	New indicator	One media campaign	A media briefing was held on 27 August 2015 on the handover of wards to the IEC.	None	

Human Resources Management					
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
Performance indicator					
Date by which an optimally functioning organisational structure is in place	New indicator	Approval of the proposed, revised organisational structure by 30 June 2015	The Board approved the organisational structure at its meeting of 10 July 2015	None	
Percentage of employees on establishment having performance contracts in place	100% of employees on establishment with performance contracts in place	100% of staff have performance management contracts in place	100% of staff have performance management contracts in place	None	
Frequency of conducting performance assessments	New indicator	Conduct performance assessments twice a year per staff member	Quarterly performance assessments were conducted per staff member	None	
Number of teambuilding, change leadership, change management and people management interventions	Leadership and team cohesion interventions were suspended awaiting the outcome of the diagnostic analysis undertaken by the Board	Two interventions, teambuilding, change leadership, change management and people management interventions conducted	Teambuilding, leadership, change management and people management interventions were not conducted	Target not initiated	Due to the organisational restructuring process that is still in process, this target was not initiated
Date by which to complete evaluation of new remuneration strategy	New indicator	31 March 2016	New remuneration strategy and framework developed	None	
Number of wellness interventions conducted	Four wellness interventions were conducted	Four employee wellness interventions conducted	Two employee wellness interventions were conducted	Target not achieved	Due to financial and HR constraints, it was not feasible to continue with the wellness intervention programme
Percentage of employees developed	The implementation of the Workplace Skills Plan was put on hold	100% of employees to have Personal Development Plans in place and adhered to	100% of employees to have Personal Development Plans in place	None	

Corporate Governance				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				Comment on deviations
Date by which proposed amendments are compiled, approved by Board and submitted to Minister	New indicator	Submit proposed amendments to legislation and proposed regulations for Municipal Demarcation Act by 31 March 2016	The proposed amendments to legislation were tabled to the Board on 14 December 2015; the Board will consider and consolidate input received from the conference	None This indicator has been included in the 2016/2017 Annual Performance Plan
Percentage of policies reviewed	Five policies were reviewed and approved by the Board	100% of all policies scheduled for review	33 policies were reviewed and submitted to the Board	Target not achieved Due to financial and HR constraints, it was not possible to review 100% of all policies
Number of quarterly compliance reports	The Combined Legal Assurance Model was approved by the Board on 20 November 2014	Four compliance reports produced	Four quarterly compliance reports have been produced	None

Information Technology (IT) Services				
Strategic Objective	Actual achievements 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16
Performance indicator				Comment on deviations
Website visitor numbers	New indicator	Increase website visitor numbers by 25%	Website visitor numbers increased by 25%.	None.
Infrastructure implemented	New indicator	Implement new core infrastructure; new server hardware; new server software	New core infrastructure has not been implemented	Target not achieved The procurement of new core infrastructure will be concluded during 2016/2017 financial year

#### Strategy to overcome areas of underperformance

#### Changes to planned targets

No planned targets were changed.

## 5. SUMMARY OF FINANCIAL INFORMATION

### 5.1 Revenue collection

Sources of revenue	2015/16			2014/15		
	Estimate	Actual collected	(Over)/under-collection	Estimate	Actual collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Grants and subsidies	45 793	45 793	0	44 230	44 230	0
Sales of goods	12	6	(6)	28	5	(23)
Interest received	610	463	(147)	812	903	91
Other income		26	26	0	61	61
<b>Total</b>	<b>46 415</b>	<b>46 288</b>	<b>(127)</b>	<b>45 070</b>	<b>45 199</b>	<b>129</b>

### 5.2 Programme expenditure

Programme	2015/16			2014/15		
	Budget	Actual expenditure	(Over)/under-expenditure	Budget	Actual expenditure	(Over)/under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Operations	24 181	24 876	(695)	11 627	11 622	5
Programme 2: Research and Knowledge management	1 373	411	962	-	-	-
Programme 3: Finance and Management accounting	6 441	6 575	(134)	8 954	8 672	282
Programme 4: Corporate Services	31 270	32 847	(1 577)	29 360	31 994	(2 634)
<b>Total</b>	<b>63 265</b>	<b>64 709</b>	<b>(1 444)</b>	<b>49 941</b>	<b>52 288</b>	<b>(2 347)</b>



## PART D: GOVERNANCE



# GOVERNANCE

## 1. INTRODUCTION

The MDB is an independent authority, established in terms of Section 155 of the Constitution of the Republic of South Africa, whose members are appointed for a term of five years. Members of the Board, including the Chairperson and Deputy Chairperson, are appointed by the President.

The functions and general powers of the MDB are outlined in detail in the Municipal Demarcation Act of 1998. In terms of Section 155 of the Constitution, the Demarcation Act of 1998 and the Municipal Structures Act of 1998, the MDB is an independent authority responsible for:

- The determination and re-determination of municipal boundaries;
- The delimitation of wards for local elections;
- The declaration of district management areas, and the withdrawal of such declarations;
- The assessment of the capacity of district and local municipalities to perform their functions; and
- The rendering of an advisory service in respect of matters provided for in the applicable legislation.

In addition, Cabinet mandated the MDB to assist government departments to align their service delivery boundaries to municipal boundaries.

The MDB accepts that good corporate governance is essential to support the interests of its stakeholders. The Board therefore always conducts its business with integrity and is committed to applying and enforcing appropriate corporate governance principles, policies and practices, in accordance with the guidelines of the King III Report on Corporate Governance.

## 2. PORTFOLIO COMMITTEE

In terms of Section 39 of the Municipal Demarcation Act of 1998, the MDB is accountable to Parliament and must annually submit to both Houses of Parliament a written report on the activities of the Board. This report must be submitted within six months after the end of the financial year and must include audited financial statements.

The MDB was invited to brief the Portfolio Committee on Co-operative Governance and Traditional Affairs on two occasions during the year under review.

## 3. THE BOARD

Members of the Board, including the Chairperson and Deputy Chairperson, are appointed by the President of the Republic of South Africa, after a selection process which is laid out in Section 8 of the Municipal Demarcation Act of 1998. There is no limit to the number of terms a member of the Board may serve, except that any reappointment of a member of the Board is subject to the conditions and procedures set out in Section 8 of the Municipal Demarcation Act of 1998. The Board must be impartial and perform its function without fear, favour or prejudice.

Unlike Boards of other institutions, the MDB Board has dual responsibilities which include the oversight role and executive role in boundary demarcations. Two out of the four committees of the Board, namely Boundaries, Powers and Functions Committee (BPFC), mainly, and Policy and Research, to a great extent, deal with executive responsibilities. This is illustrated on pages 58 to 61 in the constitution of committees and number of meetings held.

### Board Charter

The Board is the focal point of the MDB's corporate governance system and remains ultimately accountable and responsible for the performance and affairs of the MDB. The Board is therefore committed to upholding good corporate governance in all of its business dealings with regards to its shareholder, regulatory authorities and other relevant stakeholders.

To this end, the Board adopted the Board Charter. The purpose of the Board Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good corporate governance. The Board Charter sets out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected from them. The Board recognises that with regards to corporate governance, it is critical that substance prevails over form, and in applying the principles contained in this Board Charter, the Board will be guided by the principles

and recommendations contained in the King III Report and established standards of best governance practice.

The Board Charter is aligned with the King III Report and addresses specific matters regarding the Board with regards to, among others, the role of the Board, meetings, Committees of the Board, Terms of Reference of the Committees of the Board and Code of Ethics.

### Composition of the Board

The Municipal Demarcation Board assumed office on 20 February 2014 and will remain in office until 19 February 2019. The nine-member Board is composed as follows:

Name	Designation	Date		Other Committees	Number of Board Meetings Attended
		Appointed	Resigned/ Term Ended		
Jane Thupana	Board Chairperson	20 February 2014	-	Executive Committee	14
Ashraf M Adam	Deputy Board Chairperson	20 February 2014	-	Executive Committee	12
Isobel E Konyin	Board member	20 February 2014	-	Executive Committee; Remuneration and Human Capital Committee; Policy and Research Committee	19
Lebina D Tsotetsi	Board member	20 February 2014	-	Audit and Risk Committee; Boundaries, Powers & Functions Committee	17
Nompumelelo ZH Mpofo	Board member	20 February 2014	-	Executive Committee; Remuneration and Human Capital Committee; Boundaries, Powers & Functions Committee; Policy and Research Committee	15
Simphiwe Dzungwa	Board member	20 February 2014	-	Executive Committee; Audit and Risk Committee; Remuneration and Human Capital Committee; Boundaries, Powers & Functions Committee	19
Shivon D Wiggins	Board member	20 February 2014	-	Remuneration and Human Capital Committee; Boundaries, Powers & Functions Committee; Policy and Research Committee	19
Maruping M Wildebees	Board member	20 February 2014	-	Audit and Risk Committee; Remuneration and Human Capital Committee	19
Mmatsie S Mooki	Board member	20 February 2014	-	Audit and Risk Committee; Boundaries, Powers & Functions Committee; Policy and Research Committee	11

\* The Chairperson and Deputy Chairperson of the Board are Ex-Officio members of all Committees of the Board, in addition to being members of the Executive Committee.

## Committees

Committee	Number of Meetings Held	Number of Members	Name of Members
Board	20	9	Jane Thupana; Ashraf M Adam; Isobel E Konyin; Lebina D Tsotetsi; Nompumelelo ZH Mpofu; Simphiwe Dzungwa; Shvon D Wiggins; Maruping M Wildebees; Mmatsie S Mooki
Executive Committee	5	5	Jane Thupana; Ashraf M Adam; Isobel E Konyin; Nompumelelo ZH Mpofu; Simphiwe Dzungwa
Audit & Risk Committee	7	5	Dawood Coovadia (Independent); Lebina D Tsotetsi; Simphiwe Dzungwa; Maruping M Wildebees; Mmatsie S Mooki.
Remuneration & Human Capital Committee	8	5	Nompumelelo ZH Mpofu; Isobel E Konyin; Simphiwe Dzungwa; Shvon D Wiggins; Maruping M Wildebees
Boundaries, Powers & Functions Committee	16	5	Nompumelelo ZH Mpofu; Lebina D Tsotetsi; Simphiwe Dzungwa; Shvon D Wiggins; Mmatsie S Mooki.
Policy and Research Committee	3	4	Isobel E Konyin; Nompumelelo ZH Mpofu; Shvon D Wiggins; Mmatsie S Mooki.
Joint Boundaries, Powers & Functions and Policy & Research Committee*	1	6	Nompumelelo ZH Mpofu; Isobel E Konyin; Lebina D Tsotetsi; Simphiwe Dzungwa; Shvon D Wiggins; Maruping M Wildebees; Mmatsie S Mooki.

\* In November 2015, a joint meeting of the Boundaries, Powers & Functions Committee and the Policy and Research Committee was held to discuss similar core issues related to the mandate of the Board.



Left to Right: MDB Board Members – Mr Maruping Wildebees; Professor Isobel Konyin; Mr Lebina Tsotetsi and Ms Shvon Wiggins attending an MDB media briefing during the handover of wards to the IEC on 27 August 2015



*Attendance of core function meetings and strategic workshops*

Committee	Type	Number	Description
Board	Oversight/ governance	6	Normal scheduled Board meetings.
	Core/ executive	12	<p>The following meetings were convened back-to-back with Boundaries, Powers &amp; Functions Committee meetings to consider boundary re-determinations as per the Section 22(2) request from the Minister of CoGTA and the ward delimitation in preparation of local government elections.</p> <ol style="list-style-type: none"> <li>11 June 2015: Re-determination of Boundaries - Mogale City LM, Merafong City LM and Westonaria-Randfontein LM;</li> <li>19 June 2015: Re-determinations of boundaries in all provinces;</li> <li>23 June 2015: Consideration of cases in Mpumalanga, Gauteng, Eastern Cape and Free State;</li> <li>30 June 2015: Re-determination of West Rand District Municipality;</li> <li>11 August 2015: Amalgamation of Gariiep LM and Maletswai LM in the Eastern Cape;</li> <li>27 August 2015: Consideration of Section 21 objections &amp; variations;</li> <li>10 September 2015: Delimitation of wards in all provinces;</li> <li>10 October 2015: Variation of Johannesburg and Merafong LM and Eastern Cape amalgamations;</li> <li>31 October 2015: Objections and variations of Northern Cape, North West &amp; Tshwane;</li> <li>13 November 2015: Objections and variations of Westonaria, Randfontein, Mogale City;</li> <li>28 November 2015: Consideration of objections for Free State, Limpopo, Eastern Cape and Northern Cape;</li> <li>14 December 2015: Confirmation of Ekurhuleni, Emfuleni, Lesedi and Midvaal.</li> </ol>
	Workshop	1	15 October 2015: Board reflection on the boundary re-determination process.
Remuneration & Human Capital Committee	Oversight/ governance	6	Deliberation of Human Resources issues and conditions of employment such as organisational policies and procedures and programme performance.
	Workshop	2	HR Policies; HR Strategy and Development, Workplace Skills Plan.



#### Attendance of meetings

Name	Board		Executive Committee		Audit & Risk Committee		Remuneration & Human Capital Committee		Boundaries, Powers & Functions Committee		Policy & Research Committee		Joint BPF and Policy & Research Committee	
	M	A	M	A	M	A	M	A	M	A	M	A	M	A
Jane Thupana	20	14	5	4	7	0	8	4	16	10	2	1	-	-
Ashraf M Adam	20	12	5	4	7	1	8	1	16	10	-	-	1	1
Isobel E Konyin	20	19	5	5	-	-	8	6	-	-	2	2	1	1
Lebina D Tsotetsi	20	17	-	-	7	7	-	-	16	15	-	-	1	1
Nompumelelo ZH Mpofu	20	15	5	5	7		8	7	16	14	2	2	1	1
Simphiwe Dzengwa	20	19	5	5	7	5	8	8	16	16	-	-	1	1
Shivon D Wiggins	20	19	-	-	-	-	8	6	16	15	2	2	1	1
Maruping M Wildebees	20	19	-	-	7	7	8	8	-	-	-	-	1	1
Mmatsie S Mooki	20	11	-	-	7	3	-	-	16	12	2	2	1	1

Legend:

M = Meetings convened

A = Attendance

#### Remuneration of Board members

Remuneration of Board members is in respect of attendance of Board meetings, Board sub-committee meetings, as well as workshops and other assignments.

Name	Remuneration	Other allowance	Other reimbursements	Total
Jane Thupana	1 382 788	-	-	1 395 298
Ashraf M Adam	233 690	6 000	-	239 690
Isobel E Konyin	459 028	6 000	-	465 028
Lebina D Tsotetsi	330 019	6 000	-	336 019
Nompumelelo ZH Mpofu	405 834	6 000	-	411 834
Simphiwe Dzengwa	488 823	6 000	-	494 823
Shivon D Wiggins	386 257	6 000	-	392 257
Maruping M Wildebees	342 967	6 000	-	348 967
Mmatsie S Mooki	218 053	6 000	-	224 053

## 4. RISK MANAGEMENT

In line with best practice, the MDB has instituted a robust Enterprise Risk Management (ERM) process, founded on a framework that is, organisationally embedded, supported and assured, and reviewed on a continuous basis. ERM is the application of risk management throughout the MDB, rather than only in selected business areas or disciplines.

Accordingly, risk management at the MDB is decentralised with every division being responsible for risk management.

The MDB's Risk Management Framework lays out guiding principles for the management of risk. This framework comprises the totality of all the structures, policies, strategies and procedures within the MDB that deal with risk management at the strategic or operational level.

A formal risk assessment exercise is undertaken annually with a view to establishing risks that may affect the MDB and prevent it from achieving its goals and objectives. This process strives to achieve the identification of the critical risks the entity may face to enable the MDB to formulate appropriate risk strategies and action plans to mitigate and address these risks, where necessary. Quarterly risk assessments are also performed as part of the quarterly performance monitoring process.

## 5. INTERNAL CONTROL UNIT

The internal control systems were introduced to provide management and the Board with facts and figures regarding the financial position of the Board, safeguarding of assets (including information) and compliance with related laws and regulations. Our internal auditors monitor the functioning of the internal control systems and make recommendations to management and to the Audit and Risk Committee of the Board.

The Auditor-General has considered our internal control systems as part of their audit and identified some deficiencies.

All internal control systems do, however, have inherent shortcomings, including the possibility of human error and the evasion or flouting of control measures. Collusion by individuals may provide a challenge to any internal control system. Even the best internal control system may provide only partial assurance.

The Board's internal control systems were designed to provide reasonable, and not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of its assets and to detect fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

## 6. INTERNAL AUDIT AND AUDIT COMMITTEE

The Chairperson of the Audit and Risk Committee is Mr Dawood Coovadia, an external/independent member and a practising accountant and auditor. The table below discloses relevant information on the Audit and Risk Committee members:

Name	Internal or external	If internal, position in the public entity	Appointed	Resigned/ term ended	Number of meetings attended
Dawood Coovadia	External	Independent	1 September 2014	-	7
Lebina D Tsotetsi	External	Board member	20 February 2014	-	7
Simphiwe Dzengwa	External	Board member	20 February 2014	-	5
Maruping M Wildebees	External	Board member	20 February 2014	-	7
Mmatsie S Mooki	External	Board member	20 February 2014	-	3

The internal audit function is an independent appraisal mechanism which evaluates the Board's procedures and systems (including internal control, disclosure procedures and information systems), ensuring that these are functioning effectively. The MDB has an outsourced internal audit function. During the year under review, the internal audit function carried out its audits in terms of an approved internal audit plan.

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

The following legislations are applicable:

- Local Government: Municipal Demarcation Act No 27 of 1998, as amended
- Local Government: Municipal Structures Act No 117 of 1998

- Local Government: Municipal Systems Act No 32 of 2000
- Generally Recognised Accepted Practice
- Income Tax Act No 58 of 1962
- Value-Added Tax Act No 89 of 1991
- Public Finance Management Act No 1 of 1999, as amended
- Treasury Regulations, March 2005, issued in terms of the PFMA
- Preferential Procurement Policy Framework Act No 5 of 2000
- All practice notes on Supply Chain Management Act
- Employment Equity Act No 55 of 1998
- Basic Conditions of Employment Act No 75 of 1997
- Labour Relations Act No 88 of 1998
- Promotion of Administrative Justice Act No 1 of 2000
- Promotion of Access to Information Act No 2 of 2000

## **8. FRAUD AND CORRUPTION**

The MDB irrevocably binds itself to combat all forms of fraud and corruption and to remain proactive in the fight against fraud and other white collar crime. During the year, the Fraud Prevention Policy and the Fraud Prevention Plan were reviewed.

The Fraud Prevention Policy provides for a system of internal controls to prevent and detect fraud and corruption. The system of internal controls include, amongst others, creating awareness, policies and procedures, segregation of duties, internal audit, ongoing risk assessment and a mechanism for reporting and monitoring allegations.

In this regard, the MDB, through the Audit and Risk Committee, monitors and reviews business risk relating to fraud and corruption. Moreover, the MDB makes use of the Public Service Commission's National Anti-Corruption Hotline as a reporting channel.

A forensic investigation was initiated by the Board into alleged tender irregularities in 2015/16. This investigation was completed in the third quarter of 2015/16 and issued its findings and recommendations.

## **9. MINIMISING CONFLICT OF INTEREST**

The Board has developed procedures to prevent and minimise conflict of interest. On an annual basis, Board members and MDB employees are required to disclose their financial interest, including those of close family members. Such disclosure ensures that there is no conflict of interest when decisions are made by any of its governance structure.

Furthermore, meeting procedures of the Board provide for recusal of a member of the Board or an employee if there is a perceived or actual conflict of interest. In addition, Board members also complete the Declarations of Interest Register in all Board and Committee meetings to declare conflict of interest.

## **10. BOARD CHARTER**

The Board has in place an approved Board Charter that addresses, amongst others, the role of the Board, terms of reference of Board committees, governance of Board meetings and communications.

Included in the Board Charter is a Code of Ethics for Board members. This code is based on principles of honesty and integrity. It serves as a guide to Board members with regard to, amongst others, the protection of organisational assets and information, as well as conflicts of interest.

## **11. CODE OF CONDUCT**

The MDB has in place an approved code of corporate practice conduct. This code is based upon principles of honesty and integrity. It serves as a guide to Board members, management and employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their relations with others. Relations include those with stakeholders such as the legislature, the public and fellow employees and other organs of state.

## **12. BOARD SECRETARY**

The position for Board Secretary has been created and the recruitment process is underway. In the interim, the Board is receiving secretarial support from the Legal unit. The functions include support to the Board in order to maximise its efficiency, as well as to ensure that the Board conducts its business according to good corporate governance and practice.

The Board Secretary, located within the Office of the Chairperson, is responsible for the operations of the Board, including secretarial and administrative support. In compliance with good corporate governance, the Board Secretary also facilitates self-assessment of the Board and its committees, as well as financial disclosures by the Board. The responsibilities attached to this position are of a strategic nature and incorporates all matters pertaining to corporate governance and adherence to the legislative imperatives that emanate from compliance with the King III Report.

# AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

The Audit and Risk Committee is an independent sub-committee of the Board. Further duties are delegated to the Audit and Risk Committee by the Board and these activities and duties were effectively discharged during the year. This report includes both these sets of duties and responsibilities.

by the Board. The Committee has conducted its affairs in compliance with its Charter and has discharged its responsibilities contained therein. The Audit and Risk Committee Charter is available on request.

## 2. Audit and Risk Committee members, meeting attendance and assessment

### 1. Audit and Risk Committee Charter

The Audit and Risk Committee has adopted a formal Audit and Risk Committee Charter that has been approved

The Committee met seven times during the 2015/2016 financial year, in line with the approved Audit and Risk Committee Charter, and it consists of the members listed below:

Member	Term of office	Number of meetings attended
Dawood Coovadia	Appointed 1 September 2014	7
Lebina D Tsotetsi	Appointed 20 February 2014	7
Simphiwe Dzengwa	Appointed 20 February 2014	5
Maruping M Wildebees	Appointed 20 February 2014	7
Mmatsie S Mooki	Appointed 20 February 2014	3

The effectiveness of the Audit and Risk Committee and its individual members are assessed on an annual basis.

### 3. Roles and responsibilities

#### 3.1. Statutory duties

The Committee reports that it has operated and performed its oversight responsibilities in compliance with Section 51(1)(a) of the PFMA and Treasury Regulations 27.1.8. The Audit and Risk Committee is an advisory Committee of the organisation, operating independently and objectively.

#### Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Authority the audited annual financial statements to be included in the Annual Report;
- reviewed the Auditor-General's audit report, the management letter and management responses thereto; and
- reviewed accounting policies and practices.

The Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited financial statements be accepted. The Committee agrees that the adoption of the going concern premise is appropriate in preparing the annual financial statements.

The Audit and Risk Committee has satisfied itself that the external auditor, the Auditor-General (AGSA), was independent of the organisation, which includes consideration to the extent of other work undertaken by the AGSA and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The Committee, in consultation with the Accounting Officer, agreed to the engagement letter, terms, strategic audit plan and recommended the budgeted audit fees for the 2015/2016 financial year to the Accounting Officer. The Committee confirms that there were no non-audit services provided by the external auditor for the period under review.

### **Effectiveness of internal controls**

The Audit and Risk Committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the institution's system of internal control and risk management. This written assessment by internal audit, formed the basis for the Audit and Risk Committee's recommendation in this regard to the Board.

In line with the PFMA and the Treasury Regulations, Internal Audit provides the Committee and management with the assurance that internal controls are appropriate and effective, but required some improvement. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

A formal risk assessment was undertaken by the institution during the financial year. Consequently, internal audit used this data to prepare the three-year rolling strategic plan and the annual audit plan. Management is committed to addressing the issues raised by internal and external auditors, and this is reviewed by the Committee during its meetings.

Accordingly, the Committee can report that the system of internal control over financial reporting for the period under review, was efficient and effective, but required some improvement.

### **Whistle-blowing**

The Audit and Risk Committee receives and deals with any concerns or complaints, whether from within or outside the organisation. During the year, there were no matters that came to the attention of the Committee.

## **3.2. Duties assigned by the Board**

In addition to the statutory duties of the Audit and Risk Committee, as reported above, the Board has determined further functions for the Audit and Risk Committee to perform, as set out in the Audit and Risk Committee's Charter. These functions include the following:

### **Corporate governance**

The Audit and Risk Committee is of the opinion that the institution complies with the sound principles of corporate governance.

### **Governance of risk**

The Audit and Risk Committee fulfils an oversight role

regarding risk management processes within the institution. The Committee monitored the significant risks faced by the institution and it is satisfied that these risks were managed effectively. The organisation implements a risk management strategy which includes a fraud prevention plan.

### **In-year management and quarterly reports in terms of the Public Finance Management Act**

The Audit and Risk Committee is satisfied, that during the year, the content and quality of quarterly reports prepared and issued by management were proper and in compliance with the PFMA. However, there were instances of non-compliance with the National Treasury Frameworks.

### **Internal audit**

The Audit and Risk Committee is responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, standing and authority within the institution to enable it to discharge its duties. Furthermore, the Committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

The Committee considered and approved the Internal Audit Charter and is satisfied that the internal audit plan was executed accordingly.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the organisation's operations. The internal auditors are responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Audit and Risk Committee, on a regular basis. The internal auditors have direct access to the Audit and Risk Committee, primarily through its Chairperson.

The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the institution in its audits. The Committee believes that internal audit has contributed to the improvement of internal controls within the institution.

On behalf of the Audit and Risk committee:



**Mr Dawood Coovadia**

**Chairperson: Audit And Risk Committee**

29 July 2016



# **PART E:** HUMAN RESOURCE **MANAGEMENT**



# HUMAN RESOURCE MANAGEMENT

## 1. INTRODUCTION

### 1.1. Overview of HR matters at the institution

Human capital is the most valuable asset in the MDB. For the MDB to achieve its organisational strategic objectives, it needs employees with the necessary skills and competencies.

During the period under review, the MDB had a total staff complement of 43 posts, with 12 being vacant. Staff turnover was much higher in this financial year, compared to the previous year. The organisation had been faced with various capacity challenges, having had numerous managerial positions vacant.

Interviews were conducted for four of the vacant senior manager positions. The Chief Executive Officer and Chief Finance Officer assumed duty during the period under review.

Due to the human resources department having had limited capacity and skill, the services of an external services provider was obtained to provide a comprehensive HR management advisory and consultancy service to staff and management of the MDB. The consultancy advised on, but were not limited to, operational human resources-related issues, talent management and productivity, employee benefits administration, HR compliance and HR-related services.

This was done to ensure the unit maintained and implemented the organisation's strategic objectives and goals for the period under review and aimed to create a productive and creative working environment that enhances organisational effectiveness through its workforce.

Besides the normal advertising of vacancies, as a requirement of the regulatory framework, the internship programme is used as a vehicle to recruit, especially for lower-level positions.

### 1.2. HR priorities for the year under review and the impact of these priorities

- Developing a Human Resources Management Strategy to support the human capital aspect in the delivery of the organisation's objectives.

- Creating sound employee relations and open communication channels by disseminating information to all employees in a structured and timely manner.
- Creating a conducive environment for employee engagements in order to achieve the organisation's strategic objectives.
- Promoting employee wellness.

Areas of improvement were identified and action to be taken fed into the short to medium-term implementation plans.

### 1.3. Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

In essence, workforce planning is about predicting future labour market needs. It requires an understanding of the make-up of the current workforce, an investigation into future service needs and an analysis of the type and size of workforce required to meet them. It is becoming increasingly important to adopt new ways of operating in order to adapt to changes.

The MDB has updated the following policies to attract and retain a skilled and capable workforce:

- Recruitment and Selection Policy;
- Employee Performance Management Framework; and
- Personal Development Plan, as part of the individual performance management framework.

### 1.4. Employee performance management framework

As part of the ongoing objective to bring about continuous improvement in the organisation, the MDB embarked on a process to streamline the performance management process. Staff were prepared for this change through a workshop and conversations. The new system was implemented as from 1 April 2016.

The current policy on Integrated Performance Management had also been rewritten. The policy will ensure that the organisation's strategic objectives are translated into operational and performance objectives that are cascaded at every level (from top to bottom, throughout the organisation) and inform the manner in which both the institution and its

employees function. The performance is then measured quarterly to assess whether the employees are moving in the right direction.

### 1.5. Employee wellness programmes

The MDB is committed to promoting good quality of work life and creating a healthy and conducive work environment for its workforce.

Interventions were held in Quarter 1 and Quarter 3 during the year under review. Interventions held in terms of addressing wellness, included Quantum Leap to Productivity and Money and Wealth Management.

The challenges experienced included unavailability of designated course participants due to unexpected work commitments.

### 1.6. Policy development

The following are a few human resources policies and strategies that were reviewed and approved:

- Disciplinary Policy;
- Internship Policy;
- Dress Code Policy;
- Sexual Harassment;
- Code of Conduct Policy;
- Staff Leave and Recess (updated and amended);
- Sexual Harassment (updated and amended);
- Code of Conduct (updated and amended);
- Dress Code Policy (newly formulated policy) ;
- Acting Allowance (reviewed with no changes) ; and
- Long Service (reviewed with no changes).

### 1.7. Challenges faced by the public entity:

- Insufficient budget for regionalisation;
- Capacitate research and public participation programmes;
- Lack of employee benefits; and
- Lack of human resources capacity to fulfil the mandate of the organisation.

### 1.8. Future HR plans/goals:

- Implementation of the Human Resources Management Strategy which will ensure that a number of programmes and policies are put in place;
- Establish regional footprint;
- To become an employer of choice where employees are engaged and positively contribute towards the organisation's objectives; and
- Maintain a minimal vacancy rate.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### *Personnel cost by programme*

Programme	Total Expenditure	Personnel Expenditure	Personnel Expenditure as a % of Total Expenditure	Number of Employees	Average Personnel Cost per Employee
	R'000	R'000			R'000
Operations	24 876	7 858	32%	16	491
Research and Knowledge Management	411	350	85%	0	350
Finance and Management Accounting	6 575	3 718	57%	8	449
Corporate Services	32 847	8 830	27%	18	484
<b>Total</b>	<b>64 709</b>	<b>20 756</b>	<b>32%</b>	<b>42</b>	<b>488</b>

**Personnel cost by salary band**

Level	Personnel Expenditure	% of personnel Expenditure to Total Personnel Cost	Number of Employees	Average Personnel Cost Per Employee
	R'000	R'000		R'000
Top Management	3 752	18%	4	938
Senior Management	4 564	22%	4	1 141
Professionally qualified	7 173	35%	12	598
Skilled	3 265	16%	11	297
<i>Subtotal permanent employees</i>	<i>18 754</i>	<i>91%</i>	<i>31</i>	<i>605</i>
Fixed-term contract employees	1 629	8%	6	233
Internship programme	372	2%	5	74
<i>Subtotal contract employees</i>	<i>2 001</i>	<i>10%</i>	<i>11</i>	<i>161</i>
<b>Grand Total</b>	<b>20 755</b>	<b>100%</b>	<b>42</b>	<b>489</b>

*Top management: the positions for CEO and CFO were only filled towards the end of quarter three.*

**Training costs**

Division	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No of Employees Trained	Average Training Cost Per Employee
	R'000	R'000			R'000
Operations	7 858	10	0.1%	1	10
Research and Knowledge Management	350	0	0.0%	0	0
Finance and Management Accounting	3 718	5	0.1%	1	4
Corporate Services	8 830	11	0.1%	2	6
<b>Total</b>	<b>20 755</b>	<b>26</b>	<b>0.38%</b>	<b>4</b>	<b>20</b>

**Employment and vacancies**

Programme	2014/15 Number of Employees	2015/16 Approved Posts	2015/16 Number of Employees	2015/16 Vacancies	% of Vacancies
Operations	10	12	11	1	8%
Research and Knowledge Management	1	3	0	3	100%
Finance and Management Accounting	7	8	7	1	13%
Corporate Services	13	20	13	7	35%
<b>Total</b>	<b>31</b>	<b>43</b>	<b>31</b>	<b>12</b>	<b>28%</b>

Level	2014/15 Number of Employees	2015/16 Approved Posts	2015/16 Number of Employees	2015/16 Vacancies	% of Vacancies
Top Management	3	5	4	1	20%
Senior Management	6	6	4	2	33%
Professionally qualified	7	18	12	6	33%
Skilled	14	14	11	3	21%
<i>Subtotal permanent employees</i>	<i>30</i>	<i>43</i>	<i>31</i>	<i>12</i>	<i>28%</i>
Fixed-term contract employees	7		6		
Internship programme	8		5		
<i>Subtotal contract employees</i>	<i>15</i>		<i>11</i>		
<b>Grand total</b>	<b>45</b>	<b>43</b>	<b>42</b>	<b>12</b>	

#### *Employment changes*

Level	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	3	2	1	4
Senior Management	6	0	2	4
Professionally qualified	14	1	3	12
Skilled	10	1	0	11
<i>Subtotal permanent employees</i>	<i>33</i>	<i>4</i>	<i>6</i>	<i>31</i>
Fixed-term contract employees	4	3	1	6
Internship programme	8	1	4	5
<i>Subtotal contract employees</i>	<i>12</i>	<i>4</i>	<i>5</i>	<i>11</i>
<b>Grand total</b>	<b>45</b>	<b>8</b>	<b>11</b>	<b>42</b>

#### *Staff movement*

Reason	Number	% of Total Number of Staff Leaving
Death	0	0%
Resignation	4	10%
Dismissal	1	2%
Retirement	0	0%
Poor Health	0	0%
Expiry of contract	1	2%
Other: Movement within the organisation	5	12%
<b>Total</b>	<b>11</b>	<b>26%</b>

#### *Labour relations: Misconduct and disciplinary action*

Nature of Disciplinary Action	Number
Verbal warning	0
Written warning	1
Final written warning	0
Precautionary suspensions	1
Dismissal	1



*Equity target and employment equity status*

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	0	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	0	0
Professional qualified	4	1	0	1	2	0	1	1
Skilled	2	0	0	1	0	0	0	0
<b>Total</b>	<b>11</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>1</b>

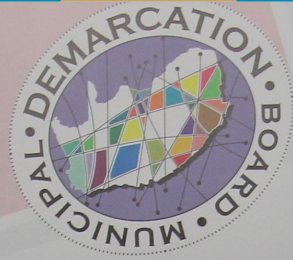
Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	2	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	0	1
Professional qualified	4	1	0	0	0	1	1	0
Skilled	6	1	1	1	1	0	1	0
<b>Total</b>	<b>13</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>

Level	Staff with Disabilities			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	1	0	1
Senior Management	0	1	0	1
Professional qualified	0	1	0	1
Skilled	0	1	0	1
<b>Total</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>



Mr Ramagadza (Executive Manager: Operations and Research) engages with a delegate on MDB municipal boundary processes

# **PART F:** FINANCIAL **INFORMATION**



## **OUR VISION**

**To be the  
leading  
demarcation  
and spatial  
knowledge hub**

# FINANCIAL INFORMATION

## 1. STATEMENT OF RESPONSIBILITY

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2016.

The Accounting Authority is responsible for the preparation of the public entity's Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

In my opinion, the financial statements fairly reflect the operations of the constitutional entity for the financial year ended 31 March 2016.

The external auditors are engaged to express an independent opinion of the Annual Financial Statements of the Municipal Demarcation Board.

The Annual Financial Statements of the Municipal Demarcation Board, as set out in Part G, have been approved.



**Mr Naresh Patel**

**Chief Financial Officer**

Municipal Demarcation Board

29 July 2016



**Mr Dithabe Nkoane**

**Chief Executive Officer**

Municipal Demarcation Board

29 July 2016

## 2. REPORT OF THE CHIEF EXECUTIVE OFFICER

### General financial review

Total revenue for the year under review amounted to R46 288 000, compared to R45 172 000 in 2014/15, representing a year-on-year increase of 2,5%. The MDB's main source of revenue is the Government Grant which comprises 99% of its total revenue.

Total expenditure for the year under review, amounted to R64 737 000, compared to R52 424 000 in 2014/15, representing a year-on-year increase of 23,5%. This resulted in a deficit of R18 449 000. This deficit was mainly due the determination and/or re-determination of municipal boundaries of dysfunctional and non-viable municipalities, as well as ward delimitations. The aforementioned task was requested by the Minister of Co-operative Governance and Traditional Affairs, which was not budgeted for. The deficit was funded from the prior years' accumulated surplus. The accumulated surplus has now been fully utilised.

### Spending trends

The table below presents year-on-year change in expenditure and income trends:

	2012		2013		2014		2015		2016	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Income	39 123	3%	41 324	6%	43 130	4%	45 172	5%	46 288	2%
Voted funds	38 482	3%	40 397	5%	42 182	4%	44 230	5%	45 793	4%
Other income	641	-7%	927	45%	948	2%	942	-1%	495	-49%
Expenditure	35 812	0%	34 351	-4%	44 712	30%	52 424	17%	64 737	19%
Board members										
Remuneration	2 020	19%	2 606	29%	2 433	-7%	2 670	10%	3 182	19%
Salaries	12 061	7%	13 084	8%	17 991	38%	20 082	12%	20 853	4%
Project expenses	4 943	38%	3 280	-34%	3 759	15%	2 620	-30%	3 526	35%
Lease payment	2 311	0%	2 311	0%	2 311	0%	3 662	58%	3 830	5%
Publications	2 002	-67%	2 173	9%	2 806	29%	236	-92%	13 072	5439%
Audit	797	-14%	819	3%	923	13%	1 075	16%	750	-30%
Travel cost	2 691	25%	2 738	2%	3 538	29%	4 451	26%	2 357	-47%
Other operating expenses	8 987	12%	7 340	-18%	10 951	49%	17 628	61%	17 167	-3%
Surplus/deficit for the period	3 311		6 973		(1 582)		(7 252)		(18 449)	

Increases (compared to 2015) in Board Member Remuneration, Project Expenses and Publications were mainly due to the Section 22(2) municipal boundaries re-determinations project, following a request by the Minister of Co-operative Governance and Traditional Affairs and the accompanying ward delimitation process.

### Capacity constraints and challenges

The MDB experienced capacity constraints in performing its mandate during the year under review. The vacant posts of the Chief Financial Officer and the Chief Executive Officer were filled in November and December 2015, respectively.

Other critical vacancies exist and these are in the process of being filled.

## Supply Chain Management (SCM)

### Concluded unsolicited bid proposal for the year under review

None

### SCM processes and systems in place

The institution has a Supply Chain Management Unit located in the Finance Division, in accordance with the approved organisational structure.

Procurement activities are supported by three committees, i.e., the Bid Specification Committee (constituted as and when required), the Bid Evaluation Committee and the Bid Adjudication Committee. An Annual Procurement Plan, as required by National Treasury, is in place to guide the activities of the Unit. The procurement policy is reviewed annually to ensure that it is aligned to the National Treasury's SCM prescripts.

### Challenges experienced and resolved

There were only two instances of irregular expenditure during the period under review, amounting to R66 000. Whilst the MDB received an unqualified audit opinion, with no emphasis of matter on its Annual Financial Statements, it received adverse findings on performance information. An action plan will be put in place to address this to ensure that it does not recur in the 2016/17 financial year.

### Audit report matters in the previous year

In his 2014/15 report, the Auditor-General raised a matter of emphasis relating to a lawsuit involving the Midvaal Municipality. This has since been resolved. During the year, management implemented controls to address the weaknesses identified. Management actions to resolve the matters raised by the Auditor-General, are addressed below:

	Matters Raised by the Auditor-General in 2014/15	Management Action Implemented	Status (Resolved, Partially Resolved or Unresolved)
1	SCM process not followed	The Board at its meeting of 14 December 2015 granted condonement of Irregular Expenditure.	Partially resolved
2	Variation amount exceed 15% of the contract amount	Available contracts will be monitored closely, the Contracts Listing database has been updated to include the remaining contract balances. An electronic reminder will be set to alert of the conclusion of contracts, six months prior to expiry date.	Resolved
3	Commitments amount is overstated	The Annual Financial statements were adjusted accordingly and submitted to National Treasury and the Auditor-General on 31 July 2015.	Resolved
4	Related parties amount understated	The Annual Financial statements were adjusted accordingly and submitted to National Treasury and the Auditor-General on 31 July 2015.	Resolved
5	Cash-flow Statements: Misstatements identified	The Annual Financial statements were adjusted accordingly and submitted to National Treasury and the Auditor-General on 31 July 2015.	Resolved
6	Payments not made within 30 days	The 30-day payment register was implemented and updated to track and monitor all payments not made within the stipulated period, i.e. within 30 days from receipt of invoice.	Partially resolved
7	No consultancy reduction plan	Cost containment policy approved by the Board at its meeting of 14 December 2015.	Resolved



	<b>Matters Raised by the Auditor-General in 2014/15</b>	<b>Management Action Implemented</b>	<b>Status (Resolved, Partially Resolved or Unresolved)</b>
8	Use of consultants: An analysis of the extent to which consultants are used	Use of consultants was disclosed in the final Annual Report.	Resolved
9	Policies and procedures not reviewed annually	A review process of all policies is currently underway and the majority of the key policies have been reviewed.	Partially resolved
10	HR plan not approved	An HR strategy has been approved. A service provider was appointed to assist with the development of an HR plan.	Partially resolved
11	Posts vacant for longer than 12 months	EM: Corporate Services, Head: Research, Head: Stakeholder Management and Communications, and SFO: Accounting and Reporting have been advertised, shortlisting has been done, interviews will be conducted during April/May 2016.	Partially resolved
12	No IT Security Officer in place	The Security Officer functions were allocated to the IT Specialist.	Resolved
13	No independent review activities	The administrator functions are allocated to the Chief Financial Officer. Currently there is one Senior Finance Officer position vacant. As soon as this position is filled, one of the Senior Finance Officers will continue to perform this duty and it will be reviewed by the CFO.	Resolved

### Plans for the future to address financial challenges

- A possible restructure of the finance division;
- A clean audit strategy was developed;

The filling of critical vacancies, namely Chief Finance Officer and Senior Financial Officer.

### Economic viability

The financial statements have been prepared on the going concern basis since there is every reason to believe that the Board has adequate resources to continue to operate for the foreseeable future.

### Acknowledgements

The performance results achieved during the year would not have been possible without the support, oversight and guidance of the Board's leadership and members. I also wish to thank the employees of the MDB whose dedication and determination have made it possible to serve our country and contribute towards our vision.



**Mr Dithabe Nkoane**

**Chief Executive Officer**

Municipal Demarcation Board

29 July 2016

### **3. Report of the Auditor-General to Parliament on the Municipal Demarcation Board**

#### **Report on the financial statements**

##### **Introduction**

1. I have audited the financial statements of the Municipal Demarcation Board set out on pages 70 to 102, to which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

##### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of 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 financial statements based on my audit. I conducted my audit in accordance with 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 financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 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 financial statements present fairly, in all material respects, the financial position of the Municipal Demarcation Board as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the PFMA.

#### **Report on other legal and regulatory requirements**

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the constitutional institution for the year ended 31 March 2016:
  - Programme 1: Operations on page 37.
  - Programme 2: Research & Knowledge Management on page 38.
  - Programme 4: Corporate Services on pages 40 to 42.
9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPi)*.
10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
11. The material findings in respect of the selected programmes are as follows:

### **Programme 2: Research & Knowledge Management**

#### **Usefulness of reported performance information**

12. Treasury Regulation 5.2.4 requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 33% of the reported indicators and 100% of the reported targets were not consistent with those in the approved annual performance plan.
13. The FMPPi requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable. A total of 67% of targets were not specific and measurable.
14. The FMPPi requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 67% of indicators were not well defined.
15. The processes and systems that produced the indicator should be verifiable, as required by the FMPPi. A total of 67% of indicators were not verifiable.

### **Programme 4: Corporate Services**

#### **Usefulness of reported performance information**

16. Treasury Regulation 5.2.4 requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 86% of the reported indicators and 93% of the reported targets were not consistent with those in the approved annual performance plan. Additionally, 22% of the indicators and 22% of the targets that were reported on in the annual performance report were not included in the approved annual performance plan.
17. The FMPPi requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable. A total of 44% targets were not specific and measurable.

18. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 61% of indicators were not well defined.
19. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 61 % indicators were not verifiable.

#### **Reliability of reported performance information**

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information or evidence provided.

#### **Programme 1: Operations**

21. Did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 1: Operations.

#### **Additional matter**

22. Draw attention to the following matter:

#### **Achievement of planned targets**

23. Refer to the annual performance report on pages 37; 38 and 40 to 42 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 12 to 20 of this report.

#### **Compliance with legislation**

24. Performed procedures to obtain evidence that the constitutional institution had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

#### **Expenditure management**

25. Effective steps were not taken to prevent irregular expenditure, amounting to R65 500 as disclosed in note 32 of the AFS, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

#### **Internal control**

26. Considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

#### **Leadership**

27. Leadership did not exercise effective oversight responsibility regarding performance reporting and compliance as well as related internal controls. The lack of oversight was primarily attributable to the fact that critical leadership positions were vacant for a significant part of the financial year under review.

### **Financial and performance management**

28. Regular, accurate and complete performance reports that were supported and evidenced by reliable information were not prepared throughout the year.

### **Other reports**

29. Draw attention to the following engagement that could potentially impact on the constitutional institution's financial, performance and compliance related matters. My opinion is not modified in respect of this engagement that has been completed.

### **Investigations**

30. An independent consulting firm performed a forensic investigation at the request of the Board. The investigation was initiated based on tender irregularities involving senior management of the Board. The investigation was concluded in August 2015 and resulted in disciplinary actions being instituted against the officials concerned.

*Auditor - General*

**Auditor-General South Africa**

Pretoria

31 July 2016



**A U D I T O R - G E N E R A L  
S O U T H   A F R I C A**

*Auditing to build public confidence*



# **PART G:** ANNUAL FINANCIAL **STATEMENTS**

## **OUR MISSION**

**To empower  
municipalities and wards  
in fulfilling their  
constitutional obligations  
effectively and efficiently  
through rendering  
sustainable service  
delivery within sound  
boundaries**

**Take p**

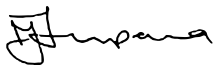
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## Index

The reports and statements set out below comprise the financial statements presented to the parliament:

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AGSA	Auditor-General South Africa
AFS	Annual Financial Statements
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
GRAP	Generally Recognised Accounting Practice
HTL	House of traditional Leaders
IEC	Independent Electoral Commission
MDB	Municipal Demarcation Board (the Board)
MEC	Member of Executive Council
PFMA	Public Finance Management Act
PLC	Party Liaison Committee
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDL	Skills Development Levy
TR	Treasury Regulations

The financial statements set out on pages 71 to 102, which have been prepared on the going concern basis, were approved by the Board on 31 May 2016 and were signed on its behalf by:



**Ms Jane Thupana**

**Chairperson**

Municipal Demarcation Board

29 July 2016

for the year ended 31 March 2016

## Statement of Financial Position as at 31 March 2016

	Note(s)	2016 R '000	2015 R '000
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	191	372
Receivables from exchange transactions	4	58	109
Cash and cash equivalents	5	174	17 095
		423	17 576
<b>Non-Current Assets</b>			
Property, plant and equipment	6	3 664	4 371
Intangible assets	7	878	969
Warranties		2	-
		<b>4 544</b>	<b>5 340</b>
<b>Total Assets</b>		<b>4 967</b>	<b>22 916</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability		879	474
Payables from exchange transactions	8	4 146	3 500
Provisions	9	-	551
		<b>5 025</b>	<b>4 525</b>
<b>Total Liabilities</b>		<b>5 025</b>	<b>4 525</b>
<b>Net Assets</b>		<b>(58)</b>	<b>18 391</b>
<b>Accumulated surplus/(deficit)</b>		<b>(58)</b>	<b>18 391</b>

for the year ended 31 March 2016

## Statement of Financial Performance

	Note(s)	2016 R '000	2015 R '000
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		6	5
Other exchange revenue		2	34
Interest received - investment	20	463	903
<b>Total revenue from exchange transactions</b>		<b>471</b>	<b>942</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants	11	45 793	44 230
Other non-exchange revenue		24	-
<b>Total revenue from non-exchange transactions</b>		<b>45 817</b>	<b>44 230</b>
<b>Total revenue</b>	12	<b>46 288</b>	<b>45 172</b>
<b>Expenditure</b>			
Administrative costs	18	(30 768)	(17 760)
Audit fees	14	(750)	(1 075)
Depreciation and amortisation	15	(1 471)	(1 567)
Employee costs	13	(20 877)	(20 082)
Other operating expenses	17	(7 322)	(9 181)
Project expenses	16	(3 526)	(2 620)
<b>Total expenditure</b>		<b>(64 714)</b>	<b>(52 285)</b>
Loss on disposal of assets	19	(23)	(139)
<b>Deficit for the period</b>		<b>(18 449)</b>	<b>(7 252)</b>

for the year ended 31 March 2016

## Statement of Changes in Net Assets

	Accumulated surplus/(deficit) R '000	Total net assets R '000
<b>Balance at 31 March 2014</b>	<b>25 643</b>	<b>25 643</b>
Deficit for the year	(7 252)	(7 252)
Total changes	(7 252)	(7 252)
<b>Balance at 31 March 2015</b>	<b>18 391</b>	<b>18 391</b>
Deficit for the year	(18 449)	(18 449)
Total changes	(18 449)	(18 449)
<b>Balance at 31 March 2016</b>	<b>(58)</b>	<b>(58)</b>



## Cash Flow Statement

	Note(s)	2016 R '000	2015 R '000
<b>Cash flows from operating activities Receipts</b>			
<b>Receipts</b>			
Revenue from exchange transactions		505	974
Revenue from non-exchange transactions		45 817	44 230
		<b>46 322</b>	<b>45 204</b>
<b>Payments</b>			
Employee benefit costs		(21 461)	(20 016)
Suppliers		(41 084)	(31 673)
		<b>(62 545)</b>	<b>(51 689)</b>
<b>Net cash flows from operating activities</b>	21	<b>(16 223)</b>	<b>(6 485)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(591)	(3 496)
Proceeds from sale of property, plant and equipment	6	4	(7)
Purchase of intangible assets	7	(113)	(182)
Proceeds from sale of intangible assets	7	4	32
Purchase of warranties		(2)	-
<b>Net cash flows from investing activities</b>		<b>(698)</b>	<b>(3 653)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(16 921)</b>	<b>(10 138)</b>
Cash and cash equivalents at the beginning of the period		17 095	27 233
<b>Cash and cash equivalents at the end of the period</b>	5	<b>174</b>	<b>17 095</b>

for the year ended 31 March 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	

### Statement of Financial Performance

#### Revenue

#### Revenue from exchange transactions

Sale of goods	12	-	12	6	(6)	
Other exchange revenue	-	-	-	2	2	
Interest received - investment	610	-	610	463	(147)	

#### Total revenue from exchange transactions

**622 - 622 471 (151)**

#### Revenue from non-exchange transactions

Government grants & subsidies	45 793	-	45 793	45 793	-	
Other non-exchange revenue	-	-	-	24	24	

#### Total revenue from nonexchange transactions

**45 793 - 45 793 45 817 24**

#### Total revenue

**46 415 - 46 415 46 288 (127)**

#### Expenditure

Administrative costs	(22 858)	(4 246)	(27 104)	(30 768)	(3 664)	33.1
Audit fees	(1 056)	200	(856)	(750)	106	33.2
Employee costs	(24 508)	2 998	(21 510)	(20 877)	633	33.3
Other operating expenses	(7 187)	(721)	(7 908)	(7 322)	586	33.4
Project expenses	(7 656)	1 769	(5 887)	(3 526)	2 361	33.5
Capital expenditure	(1 785)	-	(1 785)	(700)	1 085	33.6

#### Total expenditure

**(65 050) - (65 050) (63 943) 1 107**

#### Surplus/(deficit)

**(18 635) - (18 635) (17 655) 980**

#### Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

**(18 635) (18 635) (17 655) 980**

#### Reconciliation

Basis difference						
Depreciation and amortisation				(1 471)		
Loss on disposal of assets				(23)		

#### Capital expenditure

Purchase of Property, Plant and Equipment				591		
Purchase of intangible assets				109		

#### Actual Amount in the Statement of Financial Performance

**(18 449)**

## Accounting Policies

### 1. Presentation of Financial Statements

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

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand and are rounded to the nearest thousand (R'000).

#### 1.2 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Board makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and subsequent financial years. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There does, however, not appear to be a significant risk that these assumptions will cause significant adjustments to the carrying amount of assets and liabilities within the subsequent financial years.

Significant judgements include:

##### **Impairment testing**

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

##### **Contingent liability**

A contingent liabilities are disclosed when the Board has a possible obligation that arose from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board.

##### **Useful lives of property, plant and equipment and intangible assets**

The Board re-assesses the useful lives and residual lives of property, plant and equipment and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current 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.

## Accounting Policies

### 1.3 Property, plant and equipment (continued)

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 entity; and
- the cost of the item can be measured reliably.

**Property, plant and equipment is initially measured at cost.**

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

Item	Depreciation Method	Average Useful Life
Furniture and fixtures	Straight line	10 - 15 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	3 - 9 years
Leasehold improvements	Straight line	5 years

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.

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.

## Accounting Policies

### 1.3 Property, plant and equipment (continued)

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.

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.

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 9 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).



## Accounting Policies

### 1.5 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another party are subject to common control. Related parties include individuals who have significant influence over the Board, such as members of the Board and key management personnel.

### 1.6 Going Concern

These financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of the assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Board to continue as a going concern is dependent upon further funding from Parliament.

### 1.7 Budget information

The Board is typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

The 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 Statement of comparison of budget and actual amounts.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

## Accounting Policies

### 1.8 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

#### **Classification**

The Board's principal financial instruments are receivables, cash and cash equivalents and payables.

Classification depends on the purpose for which the financial instrument were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### **Initial recognition and measurement**

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

The entity 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.

## Accounting Policies

### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Receivables from exchange transactions

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently measured at amortised cost

For the purpose of the Cash Flow Statement, as well as Statement of Financial Position, cash and cash equivalents comprise cash on hand and other short-term investments.

#### Impairment and uncollectibility of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. 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 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.

## Accounting Policies

### 1.9 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.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

### 1.10 Inventories

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

### 1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## Accounting Policies

### 1.11 Employee benefits (continued)

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. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the entity 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.



## Accounting Policies

### 1.12 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

Commitments represent orders that have been approved, but where no delivery has not taken place as at year end, and contractual commitments.

Commitments are not recognised as liabilities or assets in the Statement of Financial Position but are included in the disclosure notes.

### 1.13 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest

Revenue arising from the use by others of entity assets yielding interest:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Board, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

## Accounting Policies

### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the Board receives value from another entity without directly giving approximately equal value in exchange.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Board satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 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.

## Accounting Policies

### 1.17 Irregular expenditure (continued)

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 is 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.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is 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 is 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 is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter 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 is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, is disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## Notes to the Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

‘ Interpretation:	Effective date:	Expected impact:
	Years beginning on or after	
GRAP 20: Related parties	No effective date set	No material impact expected
GRAP 108: Statutory Receivables	No effective date set	No material impact expected
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	No material impact expected
GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	No material impact expected
GRAP 26 (as amended 2015): Impairment of cash- generating assets	01 April 2017	No material impact expected

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
<b>3. Inventories</b>			
Consumable stores		191	372
Opening balance		372	228
Additions for the year		278	346
Utilized for the year		(459)	(202)
		<b>191</b>	<b>372</b>
<b>4. Receivables from exchange transactions</b>			
Trade debtors		16	2
Staff advances		28	17
Deposits		-	28
Interest income accrued		14	62
		<b>58</b>	<b>109</b>
<b>5. Cash and cash equivalents</b>			
Cash and cash equivalents consist of:			
Cash on hand		1	2
Bank balances		173	99
Short-term deposits		-	16 994
		<b>174</b>	<b>17 095</b>

There are no restrictions to cash held with banks.

## Notes to the Financial Statements

### 6. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Furniture and fixtures	1 967	(956)	1 011	1 942	(770)	1 172
Motor vehicles	562	(412)	150	562	(349)	213
Office equipment	990	(777)	213	1 021	(638)	383
IT equipment	1 734	(1 143)	591	1 580	(900)	680
Leasehold improvements	2 504	(805)	1 699	2 253	(330)	1 923
<b>Total</b>	<b>7 757</b>	<b>(4 093)</b>	<b>3 664</b>	<b>7 358</b>	<b>(2 987)</b>	<b>4 371</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 172	27	-	(188)	1 011
Motor vehicles	213	-	-	(63)	150
Office equipment	383	23	(12)	(181)	213
IT equipment	680	290	(15)	(364)	591
Leasehold improvements	1 923	251	-	(475)	1 699
	<b>4 371</b>	<b>591</b>	<b>(27)</b>	<b>(1 271)</b>	<b>3 664</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	807	578	(55)	(158)	1 172
Motor vehicles	289	-	-	(76)	213
Office equipment	623	24	(57)	(207)	383
IT equipment	390	642	(20)	(332)	680
Leasehold improvements	272	2 252	-	(601)	1 923
	<b>2 381</b>	<b>3 496</b>	<b>(132)</b>	<b>(1 374)</b>	<b>4 371</b>



## Notes to the Financial Statements

### 7. Intangible assets

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 772	(894)	878	1 668	(699)	969

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	969	113	(4)	(200)	878

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 013	182	(32)	(194)	969

### 8. Payables from exchange transactions

	Note(s)	2016 R '000	2015 R '000
Trade payables		2600	1 910
Accrued expenses		1 471	1 493
Other payables		75	97
		<b>4146</b>	<b>3500</b>

### 9. Provisions

#### Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Reversed	Total
Performance bonuses	551	-	(425)	(126)	-

#### Reconciliation of provisions - 2015

	Opening balance	Additions	Utilised during the year	Reversed	Total
Legal proceedings	722	-	(722)	-	-
Performance bonuses	870	551	(200)	(670)	551
	<b>1 592</b>	<b>551</b>	<b>(922)</b>	<b>(670)</b>	<b>551</b>

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 10. Financial instruments disclosure

#### Categories of financial instruments

##### 2016

#### Financial assets

Trade and other receivables from exchange transactions  
Cash and cash equivalents

At amortised cost	Total
58	58
174	174
<b>232</b>	<b>232</b>

#### Financial liabilities

Trade and other payables from exchange transactions

At amortised cost	Total
4 146	4 146

##### 2015

#### Financial assets

Trade and other receivables from exchange transactions  
Cash and cash equivalents

At amortised cost	Total
109	109
17 095	17 095
<b>17 204</b>	<b>17 204</b>

#### Financial liabilities

Trade and other payables from exchange transactions

At amortised cost	Total
3 500	3 500

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
<b>11. Government grants</b>			
National Department of Cooperative Governance and Traditional Affairs		<b>45 793</b>	<b>44 230</b>
<b>12. Revenue</b>			
Sale of goods - Maps	6	5	
Other exchange revenue - Recycle	2	34	
Interest received - Investment	463	903	
Government grants & subsidies	45 793	44 230	
Other non-exchange revenue - Recovery of bursary	24	-	
		<b>46 288</b>	<b>45 172</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>			
Sale of goods - Maps	6	5	
Other exchange revenue - Recycle	2	34	
Interest received - Investment	463	903	
		<b>471</b>	<b>942</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>			
<b>Taxation revenue</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	45 793	44 230	
Other non-exchange revenue - Recovery of bursary	24	-	
		<b>45 817</b>	<b>44 230</b>
<b>13. Employee benefit costs</b>			
Basic	13 167	12 347	
Bonus	(126)	(119)	
Full Time member's emoluments	1 396	1 145	
Insurance cover	449	459	
Leave Expenses	(22)	402	
Leave payments	311	118	
Other Non pensionable allowance	4 563	4 675	
Other salary related costs	53	82	
Overtime payments	201	107	
SDL	216	193	
Temporary staff allowance	262	106	
Travel, motor car, accommodation, subsistence and other allowances	335	500	
UIF	72	67	
		<b>20 877</b>	<b>20 082</b>

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
<b>14. Audit Fees</b>			
Audit Fees		750	1 075
<b>15. Depreciation and amortisation</b>			
Computer software		200	193
Furniture and fixtures		188	158
IT equipment		364	331
Leasehold improvements		475	602
Motor vehicles		63	76
Office equipment		181	207
		<b>1 471</b>	<b>1 567</b>
<b>16. Project Expenses</b>			
Consulting Fees		3 526	2 620
<b>17. Other Operating Expenses</b>			
Consumables		10	22
Courier and delivery charges		84	218
Data acquisitions		188	-
License renewal		729	624
Rental of building		3 830	3 667
Rental of plant, machinery and equipment		27	68
Repairs and maintenance		84	131
Travel and accommodation		2 370	4 451
		<b>7 322</b>	<b>9 181</b>

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
<b>18. Administrative expenses</b>			
Advertising		118	361
Bank charges		26	26
Bursaries - employees		-	43
Conferences and venues		199	719
Employee assistance programme		18	58
Insurance		198	190
Internal audit fees		592	980
Legal fees		5 790	5 007
Members allowance		3 182	2 670
Other expenses		1 334	2 003
Printing & photocopying		888	807
Professional fees		1 953	-
Publications notices and gazettes		13 072	296
Recruitment costs		751	127
Security services		752	575
Stakeholder relations management		535	2 734
Stationery		462	216
Telephone and fax		838	716
Training - employees		60	232
		<b>30 768</b>	<b>17 760</b>
<b>19. Gain/(Loss) on disposal of assets</b>			
Proceeds from disposal of assets		8	26
Net book value of assets		(31)	(165)
		<b>(23)</b>	<b>(139)</b>
<b>20. Interest received – investments</b>			
<b>Interest revenue</b>			
Bank		463	903

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
<b>21. Cash used in operations</b>			
Surplus/(Deficit)		(18 449)	(7 252)
<b>Adjustments for:</b>			
Depreciation and amortisation		1 471	1 566
Gain/(Loss) on sale of assets		23	139
Movements in operating lease assets and accruals		406	437
Movements in provisions		(551)	(1 041)
<b>Changes in working capital:</b>			
Inventories		181	(144)
Receivables from exchange transactions		51	329
Payables from exchange transactions		645	(519)
		<b>(16 223)</b>	<b>(6 485)</b>

## 22. Commitments

This committed expenditure relates to leased property, capital expenditure and other operational expenditure will be financed by retained surpluses, existing cash resources, funds internally generated, etc.

### 22.1 Operating leases - the Board as lessee

#### Minimum lease payments due

- within one year	3 730	3 425
- in second to fifth year inclusive	9 614	13 344
	<b>13 344</b>	<b>16 769</b>

The Board leases its office premises from a commercial property services provider for a period of 5 years, effective from 1 July 2014. Lease payments escalate by 8.90% annually and payable monthly in advance. The lease agreement is renewable for a further period by mutual agreement. Upon termination of the lease any improvements made to the premises by the entity shall belong to the lessor. No contingent rent is payable.

### 22.2 Other commitments

Approved and contracted: Other operational expenditure	3 610	653
Approved and contracted: Capital expenditure	141	232
<b>Total future commitments</b>	<b>3 751</b>	<b>885</b>



## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 23. Contingent liabilities

#### Contingent liability - Democratic Alliance (DA) High court application

The Municipal Demarcation Board will lodge an answering affidavit on 13 May 2016. The Democratic Alliance will file a replying affidavit if necessary. The final stage is for the Democratic Alliance to apply for a court date.

It is anticipated that the application will be heard around July 2016 as it was lodged on an urgent basis.

The financial effect of this litigation is estimated to be R1 500 000.

The information usually required by the applicable GRAP standards has not been disclosed on the grounds that it can be expected to prejudice seriously the outcome of the case.

#### Contingent liability - Baviaans high court application

Appeal documents were lodged on 26 April 2016 and an application for a court date was made.

The Registrar of the High Court will advise on the allocated court date/s by the latest 20 May 2016.

The financial effect of this litigation is estimated to be R800 000.

The information usually required by the applicable GRAP standard has not been disclosed on the grounds that it can be expected to prejudice seriously the outcome of the case.

#### Contingent liability - Masia Traditional Council

The Board received an application from Masia Traditional Council and others who sought to set aside the decision of the Board. The application was heard on the 21st and 22nd of April 2016. The judge handed down on judgment on 29 April 2016, dismissed the application and ordered each party to pay for their own cost.

There is a possibility of further legal costs should the Applicants decide to appeal the judgment. The costs might even be exacerbated should the court of appeal rule in favour of the Applicants.

The financial effect of this litigation is estimated to be R1 500 000.

The information usually required by the applicable GRAP standard has not been disclosed on the grounds that it can be expected to prejudice seriously the outcome of the case.

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 24. Related parties

#### Relationships

Controlling entity	National Department of Cooperative Governance and Traditional Affairs
Other entities in the public sphere	Government Printing Works

#### Related party transactions Government grant received

National Department of Cooperative Governance and Traditional Affairs	(45 793)	(44 230)
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#### Operating expenses paid to related parties

Government Printing Works	9 249	8
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### 25. Related parties

#### Executive members

##### 2016

	Emoluments	Other benefits*	Total
Ms MJJ Thupana (Chairperson of the Board)	1 396	-	1 396
Mr O Nkoane (CEO) (Appointed December 2015)	570	-	570
Mr A Ramagadza (Acting CEO) (Appointed from August 2015 until December 2015)	176	-	176
Mr M Manjezi (Acting CEO) (Appointed September 2014 until June 2015)	-	371	371
Mr N Patel (CFO) (Appointed November 2015)	519	-	519
Ms ML Ratya (Acting CFO) (Appointed for April 2015)	55	-	55
Ms M Mahlangu (Acting CFO) (Appointed from May 2015 until October 2015)	228	-	228
	2 944	371	3 315

##### 2015

	Emoluments	Other benefits*	Total
Ms MJJ Thupana (Chairperson of the Board)	1 145	-	1 145
Ms GC Gumbi-Masilela (CEO)(Term ended October 2014)	986	1 692	2 678
Mr DKN Ligege (CFO) (Acting CEO February 2014 - August 2014)	1 188	175	1 363
Mr M Manjezi (Acting CEO) (Appointed September 2014)	-	845	845
	3 319	2 712	6 031

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 25. Related parties (continued)

#### Non-executives 2016

	Members' fees	Other fees (Cellphone Allowance)	Total
Mr LD Tsotetsi (Re-appointed 20 February 2014)	330	6	336
Mr AM Adam (Deputy Chairperson) (Re-appointed February 2014)	234	6	240
Prof IE Konyin (Appointed 20 February 2014)	459	6	465
Mr MM Wildebees (Appointed 20 February 2014)	343	6	349
Mr S Dzegwa (Appointed 20 February 2014)	489	6	495
Ms SD Wiggins (Appointed 20 February 2014)	386	6	392
Ms NZH Mpofu (Appointed 20 February 2014)	406	6	412
Ms MM Mooki (Appointed 20 February 2014)	218	6	224
Mr D Coovadia (Chairperson: Audit and Risk Committee) (Appointed October 2014)	269	-	269
	<b>3 134</b>	<b>48</b>	<b>3 182</b>

#### 2015

	Members' fees	Other fees (Cellphone Allowance)	Total
Mr LD Tsotetsi (Re-appointed 20 February 2014)	394	6	400
Mr AM Adam (Deputy Chairperson) (Re-appointed February 2014)	176	6	182
Mr SM Radebe (Chairperson: Audit and Risk Committee) (Term ended July 2014)	141	-	141
Prof IE Konyin (Appointed 20 February 2014)	316	6	322
Mr MM Wildebees (Appointed 20 February 2014)	263	6	269
Mr S Dzegwa (Appointed 20 February 2014)	315	6	321
Ms SD Wiggins (Appointed 20 February 2014)	276	6	282
Ms NZH Mpofu (Appointed 20 February 2014)	313	6	319
Ms MM Mooki (Appointed 20 February 2014)	270	6	276
Dr MB Khoza (Resigned May 2014)	13	-	13
Mr D Coovadia (Chairperson: Audit and Risk Committee) (Appointed October 2014)	145	-	145
	<b>2 622</b>	<b>48</b>	<b>2 670</b>

Remuneration of Board members is determined by the Minister of Cooperative Governance and Traditional Affairs in consultation with the Minister of Finance.

Remuneration of management is determined by the Board.

Remuneration of independent member(s) of the Audit and Risk Committee is determined by the Board in accordance with Treasury Regulations 3.1.6, after taking into account tariffs determined by the South African Institute of Chartered Accountants and the Auditor General, where applicable.

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 26. Change in estimates

#### Property, plant and equipment

Changes in the estimated useful lives of some items of property, plant and equipment has resulted in the following change in depreciation for the year:

##### Depreciation: PPE

According to initial estimated useful life	(53)	(38)
According to re-estimated useful life	26	13
	<b>(27)</b>	<b>(25)</b>

### 27. Comparative figures

#### Incomplete disclosure of Related Party transactions

National Department of Cooperative Governance and Traditional Affairs and Government Printing Works was not disclosed in the 2015 Annual Report as related parties. Note 24 included this year's figures and the comparative figures.

#### Leave provision was reclassified from provisions to accruals in the Statement of Financial Position

In terms of GRAP 19 paragraph 18 a provision can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.

Based on the above extract from GRAP 19, the leave provision was incorrectly classified as a provision in the 2014/15 financial year, and had to be reclassified.

The effect of the reclassification of the leave provision from provisions to accruals are as follows:

##### Statement of financial position

Provisions	-	(1 493)
Trade and other payables (Accruals)	-	1 493

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 28. Risk management

#### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management regularly reviews the Board's going concern. This includes reviewing the effectiveness of working capital management and budgetary control.

The following table indicates the maturity analysis for financial liabilities showing the remaining earliest contractual maturities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Due within 1 year	Due between 1 and 5 years
<b>2016</b>			
Payables from exchange transactions	4 146	4 146	-
<b>2015</b>			
Payables from exchange transactions	3 500	3 500	-

#### Interest rate risk

The Board is exposed to interest rate changes in respect of returns its investments with financial institutions. The Board's exposure to interest rate risk is managed by investing on a short term basis in current accounts.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party.

Financial assets exposed to credit risk at year end were as follows

Cash and cash equivalents	174	17 095
Receivable from exchange transactions	58	109

### 29. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## Notes to the Financial Statements

	Note(s)	2016 R '000	2015 R '000
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### 30. Events after the reporting date

The Board is not aware of any matters that arose after the reporting date that requires adjustment to the financial statements or additional disclosure.

### 31. Fruitless and wasteful expenditure

Opening balance	-	772
Less: Amounts written off	-	(722)
	-	-

Fruitless and wasteful expenditure relates to out of court settlement reached between the institution and three candidates who were offered employment.

### 32. Irregular expenditure

Opening balance	3 052	121
Irregular Expenditure - current year	66	3 052
Amounts condoned	(3 052)	(121)
	<b>66</b>	<b>3 052</b>

Details of irregular expenditure - current year	Disciplinary steps taken/ criminal proceedings	2016
The responsible employee approached three agencies and requested resumes of candidates to fill the vacant post of a Database Administrator. The resumes were not accompanied by a quotation indicating each agency's placement rate.	Investigation still in process at year end	48
Approval for deviation was obtained after the expense was incurred,	Investigation still in process at year end	18
		<b>66</b>



## Notes to the Financial Statements

### 32. Irregular expenditure (continued)

Details of irregular expenditure condoned	Condoned by (condoning authority)	2015
Contracts were extended, and the extended portion exceeded 15%. The Board did not request written approval from National Treasury as per Instruction Note 32 for extensions exceeding 15%.	Board of the MDB	1 508
The Board incurred expenditure amounting to R1 839 of which the prescribed procurement processes were not followed.	Board of the MDB	1 544
		<b>3 052</b>

### 33. Budget differences

Material differences between budget and actual amounts:

33.1 The variance was due to an increase in legal costs and publications and notices due to the Section 22(2) project, which was mandated by the Minister of COGTA.

An increase in recruitment costs due to Chief Executive Officer and Chief Financial Officer's positions being filled during the year.

33.2 The approved AGSA plan did not include an interim audit, which was budgeted for.

33.3 Not all positions budgeted for were filled during the year, or in some cases, they were only filled at the end of the year.

33.4 Rental difference is due to straightlining of the building's operating lease.

The travel and accommodation variances were due to visits that were still in the planning phase when the budget was finalised. The visits to specific municipalities changed as the year progressed.

33.5 The capacity assessment model was not undertaken as planned.

33.6 The variance is due to servers that were not bought during the year.





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