

mdb
municipal demarcation board

**ANNUAL
REPORT
2018/19**



Years of Demarcation

Reflections on Spatial Transformation



TABLE OF CONTENTS

A	GENERAL INFORMATION	004
	1. ADMINISTRATION AND CORPORATE INFORMATION	005
	2. LIST OF ABBREVIATIONS/ACRONYMS	005
	3. STRATEGIC OVERVIEW	006
	4. LEGISLATIVE AND OTHER MANDATES	006
	5. ORGANISATIONAL STRUCTURE	007
	6. FOREWORD BY THE CHAIRPERSON	008
	7. CHIEF EXECUTIVE OFFICER'S OVERVIEW	010
	8. PERFORMANCE SNAPSHOT	014
	9. MDB IN THE NEWS	016
B	HIGHLIGHT OF ACHIEVEMENTS	018
	1. TECHNICAL MUNICIPAL OUTER BOUNDARY RE-DETERMINATION PROCESS.....	019
	2. ASSESSMENT OF MUNICIPAL CAPACITY TO PERFORM POWERS AND FUNCTIONS	021
	3. WARD DELIMITATION FOR THE 2021 LOCAL GOVERNMENT ELECTIONS	022
	4. CONFERENCE ON REFLECTIONS ON 20 YEARS OF DEMARCATION	022
C	PERFORMANCE INFORMATION	026
	1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION	027
	2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES.....	027
	3. OVERVIEW OF PERFORMANCE.....	028
	4. PERFORMANCE INFORMATION BY PROGRAMME.....	028
	5. SUMMARY OF FINANCIAL INFORMATION	035
D	GOVERNANCE.....	036
	1. INTRODUCTION	037
	2. PORTFOLIO COMMITTEE.....	037
	3. THE BOARD	037
	4. RISK MANAGEMENT	040
	5. INTERNAL CONTROL.....	041
	6. INTERNAL AUDIT AND AUDIT COMMITTEE	041
	7. COMPLIANCE WITH LAWS AND REGULATIONS	041
	8. FRAUD AND CORRUPTION.....	042
	9. MINIMISING CONFLICT OF INTEREST	042
	10. CODE OF CONDUCT.....	042
	11. COMPANY SECRETARY	042
	AUDIT AND RISK COMMITTEE REPORT	043
	1. AUDIT AND RISK COMMITTEE CHARTER.....	043
	2. AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT	043
	3. ROLE AND RESPONSIBILITIES.....	043
E	HUMAN RESOURCE MANAGEMENT.....	046
	1. INTRODUCTION	047
	2. HUMAN RESOURCES OVERSIGHT STATISTICS	047
F	FINANCIAL INFORMATION	050
	1. STATEMENT OF RESPONSIBILITY.....	051
	2. REPORT OF THE CHIEF EXECUTIVE OFFICER	052
	3. REPORT OF THE EXTERNAL AUDITOR.....	054
G	ANNUAL FINANCIAL STATEMENTS.....	058

PART A

GENERAL INFORMATION



1. ADMINISTRATION AND CORPORATE INFORMATION

Registered Name	The Municipal Demarcation Board
Registered Address	Eco Origins Office Park, Block C1 349 Witch-Hazel Avenue Highveld, Centurion 0157
Postal Address	Private Bag X123 Centurion 0046 South Africa
Telephone:	+27 12 342 2481
Facsimile:	+27 12 342 2480
Website	www.demarcation.org.za
External Auditor	Auditor-General South Africa
Bankers	ABSA Bank Limited
Company Secretary	Advocate Kgabo Gabriel Mapotse

The 2018/19 MDB Annual Report is also available on www.demarcation.org.za.

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
APP	Annual Performance Plan
Board	The Board established in terms of Section 2 of the Municipal Demarcation Act and composed of members appointed by the President of the Republic of South Africa
CDW	Community Development Workers
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
COO	Chief Operations Officer
ENE	Estimates of national expenditure
ERM	Enterprise Risk Management
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
HSRC	Human Sciences Research Council
IEC	Independent Electoral Commission
ICT	Information and communications technology
IT	Information technology
IUDF	Integrated Urban Development Framework
MDA	Municipal Demarcation Act 27 of 1998
MDB	Municipal Demarcation Board (the organisation)
MEC	Member of the Executive Council
MINMEC	Ministers and Members of Executive Council
MSA	Municipal Structures Act 117 of 1998
NDP	National Development Plan
NT	National Treasury
PFMA	Public Finance Management Act 1 of 1999
SCM	Supply Chain Management
SDL	Skills Development Levy
TR	Treasury Regulations

3. STRATEGIC OVERVIEW

Vision

“To be the leading demarcation authority”.

Mission

To deepen democracy and to facilitate the socio-economic transformation of the country for the benefit of its citizens by:

- a) Enabling and facilitating a system of developmental local government, through the determination of municipal and ward boundaries that enhances the quality of life of communities,
- b) Providing advisory services, in municipal boundary matters, to state entities and other stakeholders,
- c) Being a spatial knowledge hub on all municipal and ward boundary matters.

Values

- Impartiality
- Transparency
- Excellence
- Inclusivity
- Integrity

Strategic outcome-oriented goals

- Good Corporate Governance;
- Quality demarcation processes and outcomes;
- Quality research, sound advisory and Knowledge management services; and
- Meaningful Public participation.

4. LEGISLATIVE AND OTHER MANDATES

The work of the Municipal Demarcation Board (MDB) is steered by, among others, the following legislation, functional and policy mandates:

The Constitution of the Republic of South Africa, 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.

Local Government: Municipal Demarcation Act 27 of 1998

- Section 3 provides that the Board is a juristic person, is independent, 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 on matters provided for in this Act and other appropriate legislation.

Local Government: Municipal Structures Act 117 of 1998

- The Board is mandated to 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 (NB: All district management areas have been disestablished).

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 MDB.

Policy mandates

- As per Cabinet resolution, the Board must provide assistance to government departments to align their service delivery boundaries to municipal boundaries.

Court rulings

- In the past, there have been several court rulings on decisions of the MDB. None of those rulings had any negative impact on the operations or service delivery obligations of the MDB. Instead, the courts have consistently affirmed the independence of the MDB and vindicated it on both procedural and substantive fairness. However, the MDB has learnt a number of valuable lessons from these litigations, some of which it has embraced, especially matters related to improved public participation and consultation in demarcation matters.

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

The following legislation and regulations are applicable:

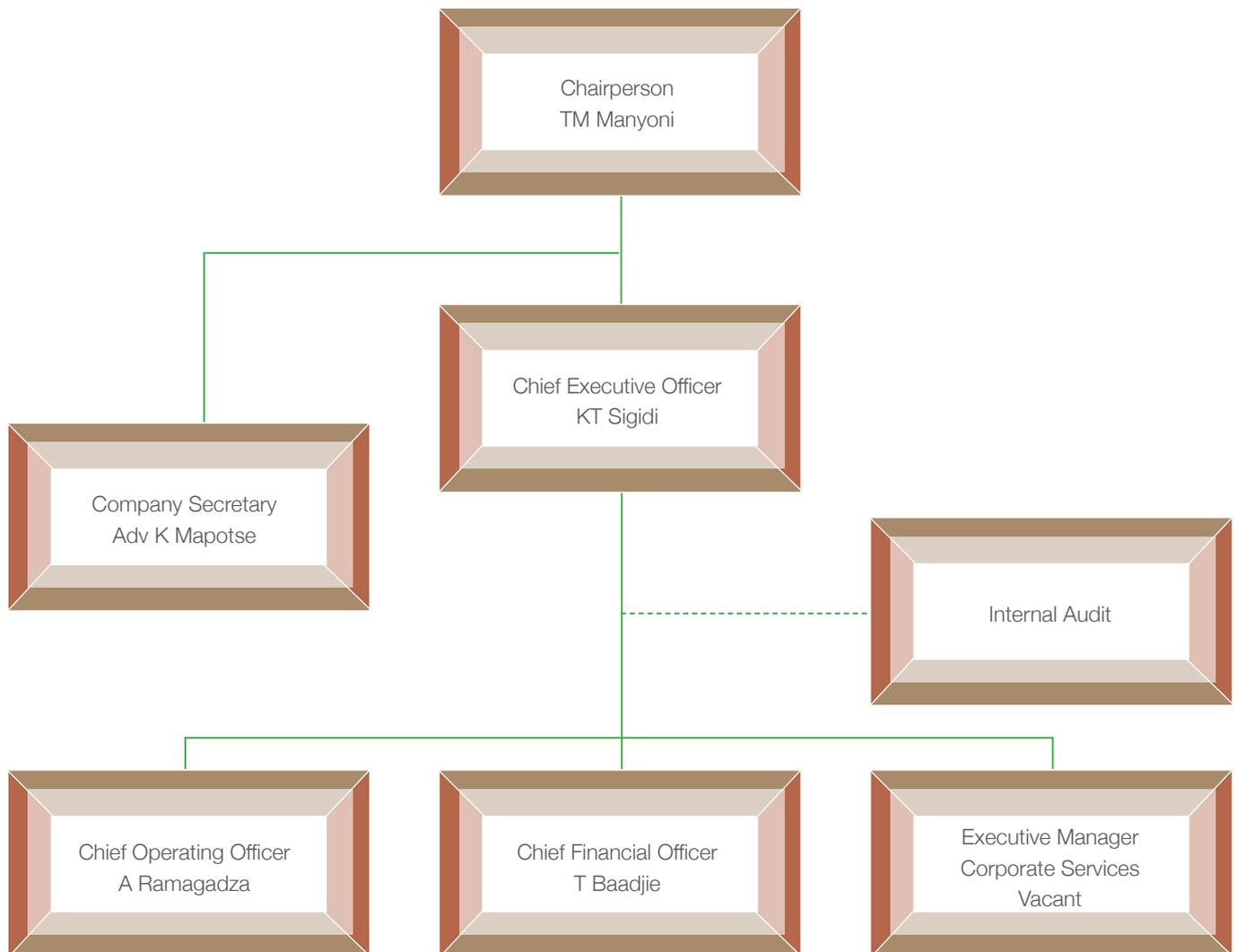
- Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Demarcation Act 27 of 1998 (MDA)
- Local Government: Municipal Structures Act 117 of 1998 (MSA)
- Local Government: Municipal Systems Act 32 of 2000
- Generally Recognised Accepted Practice (GRAP)
- Income Tax Act 58 of 1962
- Value-Added Tax Act 89 of 1991
- Public Finance Management Act 1 of 1999, as amended (PFMA)

- Treasury Regulations, March 2005, issued in terms of the PFMA
- Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)
- All practice notes on Supply Chain Management Act
- Employment Equity Act 55 of 1998
- Basic Conditions of Employment Act 75 of 1997
- Labour Relations Act 88 of 1998
- Promotion of Administrative Justice Act 1 of 2000
- Promotion of Access to Information Act 2 of 2000

Name of controlling entity

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

5. ORGANISATIONAL STRUCTURE



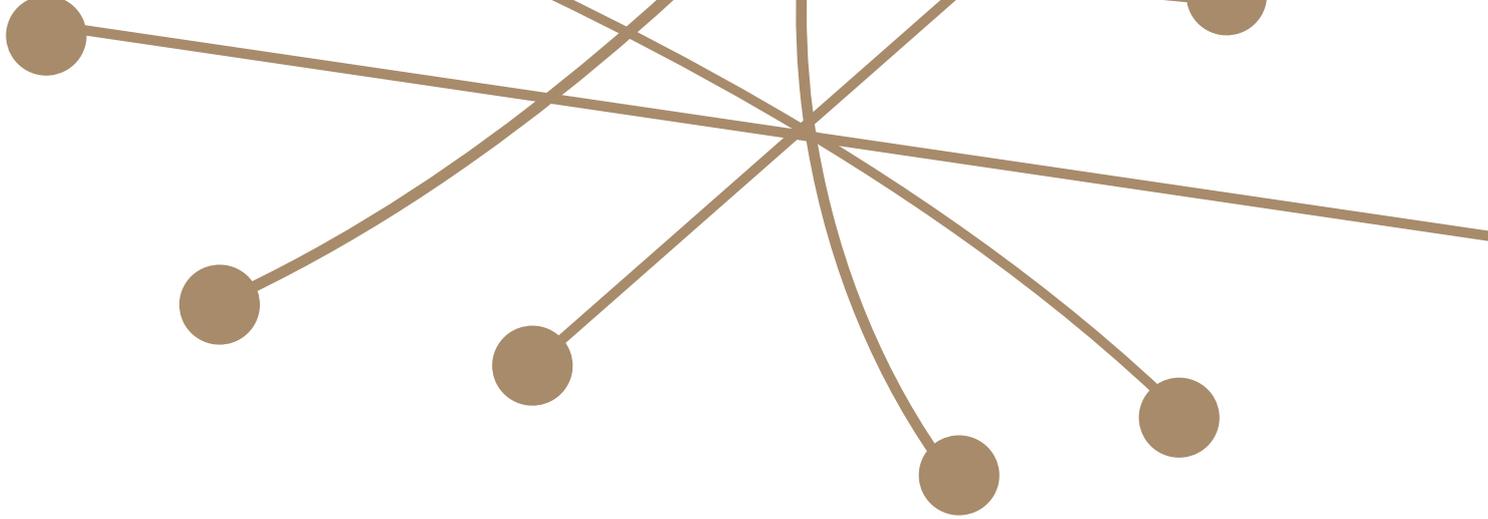


6. FOREWORD BY THE CHAIRPERSON

The annual report is presented during a watershed period when the MDB celebrates 20 years of existence, which coincides with South Africa's sixth national and provincial elections and the 25th anniversary of democracy in the country. Most importantly for the MDB, the year brought the appointment of the new Board on 1 March 2019.

The new Board proudly embodies strides undertaken by its predecessors and other key role-players in the local government sector to exercise the truest form of democracy through ongoing efforts to create transformed spatial places, diverse boundaries (not defined along racial, ethnic and class lines), and integrated settlements, and promote equitable service delivery and an inclusive tax-base to foster socio-economic development.

The MDB recently hosted an interactive conference themed '20 years of demarcation, reflections on spatial transformation'. The event provided a platform for robust engagements with key actors in the local government sector on strategic policy issues that have a bearing on MDB's mandate and role in spatial transformation, sharing



“Over the past year, the Board experienced both joy and despondency. Major triumphs included the finalisation of the municipal outer boundary re-determination process as well as municipal capacity assessments, which provide an overview of the distribution of powers and functions for non-metropolitan municipalities.”

of lessons and experiences, and reflections on two decades of municipal demarcations in South Africa. The conference also explored key topics such as the MDB’s past contribution to spatial transformation, the convergence of demarcation, the Integrated Urban Development Framework (IUDF) and the National Development Plan (NDP), consolidation and amalgamation of municipalities, and the impact of ‘wall-to-wall’ municipalities and the two-tier system of service delivery.

Over the past year, the Board experienced both joy and despondency. Major triumphs included the finalisation of the municipal outer boundary re-determination process as well as municipal capacity assessments, which provide an overview of the distribution of powers and functions for non-metropolitan municipalities. It has assessed existing capacity of municipalities to exercise powers and functions, and also enabled the Board to advise MECs on adjustment of powers and functions between local and district municipalities. However, the organisation’s ability to implement some key projects was constrained by limited funding. These projects included the establishment of a regional footprint across the country.

In the coming years, the MDB will reflect on its role and define a new trajectory. The institution will have to reinvent itself to remain relevant and to assist local government to consolidate and stabilise.

I am truly emboldened by the excellent performance of the management and staff at MDB during the year, who worked tirelessly to ensure that the Board achieved the desired results. I look forward to working with everyone in the organisation as we continue to provide exceptional service and reignite our impact on the local government sector.

Lastly, I applaud the previous Board under the stewardship of Ms Jane Thupana for laying a solid foundation for our continued transformation of the spatial landscapes in the country. The outgoing members can rest assured that we will steer the ship through calm or storm to reach its destination. We will lead with integrity.

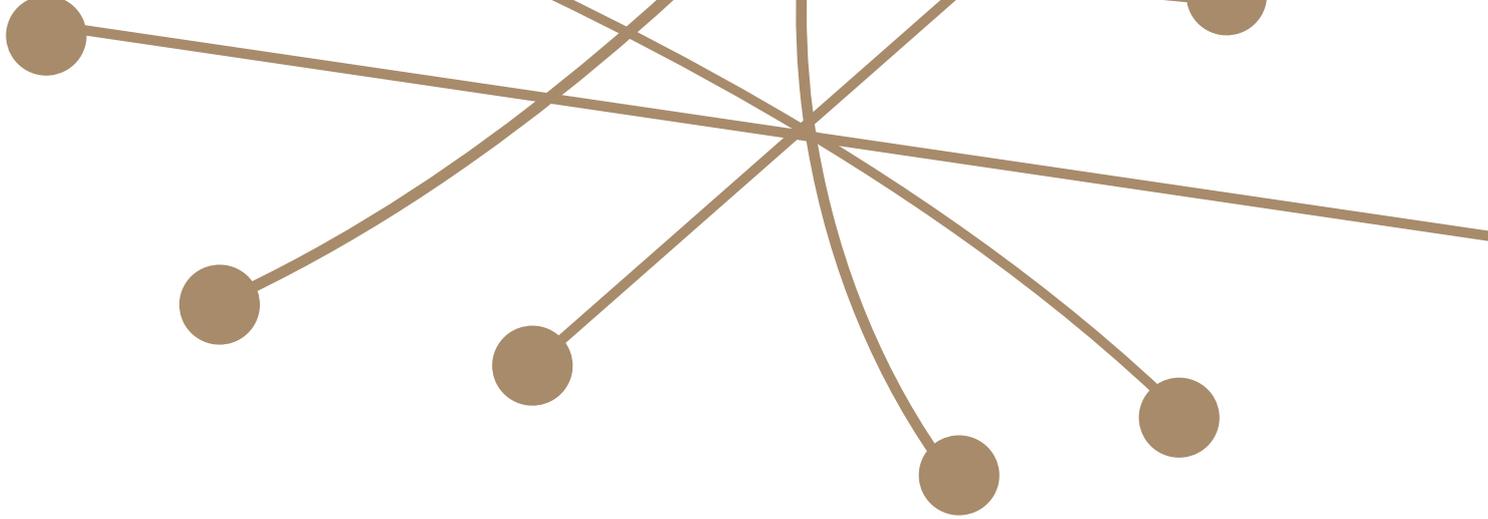
Thabo Manyoni
Chairperson
Municipal Demarcation Board
31 May 2019



7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

It is my honour and privilege to present the 2018/19 Annual Report to our stakeholders. Although the year under review was somewhat challenging, we achieved our set goals and triumphed over adversity through the resilience of our employees ably led by the Board.

Highlights of the year included finalisation of technical municipal boundary re-determinations, completion of municipal capacity assessments – for the first time since 2012 – and the hosting of the conference on 20 years of demarcation, which showcased the MDB's contribution to the transformation of municipal spaces, including lessons learnt and experiences amassed. The conference, held on 31 January and 1 February 2019, focused on policy issues strategic to the MDB's mandate and role in the spatial transformation agenda, and reflected on 20 years of municipal demarcation. The event drew about 530 local and international delegates keen to review 'the good, the bad and the ugly' of 20 years of demarcation and help to inform and sharpen the demarcation instrument as the MDB crafts a new plan for the next 20 years.



“My heartfelt gratitude goes to the former Board members for their vigilance and tenacity in performing their oversight responsibilities. Their insight and leadership made it possible for us to stay on course and to soldier on. An enthusiastic welcome is extended to the new Board members, whom we trust will take the MDB to greater heights.”

Issues under the spotlight included how international trends could influence the next demarcation trajectory, challenges and best practices in municipal amalgamation, the impact of wall-to-wall municipalities and the two-tier system of local government on service delivery, whether ethnicity should be uppermost in the demarcation of local government boundaries, the significance of community or citizen ‘will’ in demarcation – finding a balance between public wishes and legal considerations, and last but not least, the enhancement of inter-municipal collaboration to avoid amalgamations.

Achievements

Despite being hamstrung by an inadequate budget, we remained focused on the goalpost and achieved the objectives of our Annual Performance Plan (APP), improving our performance by 7% from 89% in 2017/18 to 96% in the 2018/19 financial year.

Learning from previous experiences and heeding the outcry from stakeholders and partners (municipalities and communities) that our engagement with them is unsatisfactory, we are proud that in the year under review, we reached more communities well in advance to raise awareness and educate them on ward delimitation processes. This is in preparation for the local government elections in 2021.

This was a direct response to the recommendations made at the MDB conference and other fora where it was agreed that;

- Public participation processes in demarcation should be intensified and must begin much earlier in the process, and
- The MDB must heighten its public education and awareness processes.

Significant value has been achieved through collaboration with various stakeholders, and this allowed us to successfully finalise the capacity assessment reports for category B and C municipalities to inform MECs on adjusting powers and functions between local and district municipalities and to inform the MDB’s own future municipal boundary re-determinations.

The MDB also continued developing the spatial boundary descriptions for 57 municipalities, a project scheduled for completion by 2021. This project, combined with the capacity assessment reports, will inform future re-determination of municipal boundaries and ensure that these are spatially defined.

Working with the Independent Electoral Commission (IEC), we have analysed voting districts to ensure that fragmentation of communities is identified and corrected to minimise discontent. The MDB and the Human Sciences Research Council (HSRC)

conducted two research seminars, the first seminar themed: Social cohesion and demarcation with the topic '*Municipal boundary demarcation in traditional areas: A potential source of strife*', and the second themed: Advancing local democracy and promoting democratic and accountable government with the topic: '*The need for inclusive ward delimitation*'.

To enhance governance, the MDB continued its quarterly performance review sessions to ensure that pre-determined objectives were met and to address identified gaps. At these sessions, the implementation of Board resolutions is monitored and reports on information and communications technology (ICT) governance are addressed.

Future plans

In the 2019/20 financial year the MDB will, in line with the 2021 goal, continue to address municipalities with spatial boundary description. After the ministerial and MEC determination of the formulae for the number of councillors nationally and in each municipality in a province, MDB will delimit wards in anticipation of the 2021 local government elections.

We have welcomed the new Board appointed by the President and will be setting the focus for the next five years and beyond. We will engage MECs and municipalities on the results of the municipal capacity assessment so as to ensure that the gaps identified are closed and MECs are well advised on adjustment of powers and functions between local and district municipalities. To bridge the communication gap between the MDB and some communities, we will conduct robust stakeholder engagements in advance to ensure that communities are not only involved in demarcation, but understand it and are able to make informed views and recommendations.

Institutional challenges

Once more, the Board has been unable to make progress with the regionalisation model developed in 2016/17, mainly due to limited resources appropriated to the MDB. Although the provisional allocation was made to assist the Board with implementation, the allocation was not realised.

The MDB had conducted job evaluations in the past to ascertain whether employees are adequately remunerated. The last evaluation involving all employees below senior management services (SMS) showed that all these employees except for two, were overworked and under-remunerated. Although the Board resolved that the job evaluation be implemented, financial constraints has made this impossible.

Acknowledgement

Theodore Roosevelt once said: "***It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.***"

My heartfelt gratitude goes to the former Board members for their vigilance and tenacity in performing their oversight responsibilities. Their insight and leadership made it possible for us to stay on course and to soldier on. An enthusiastic welcome is extended to the new Board members, whom we trust will take the MDB to greater heights.

Much credit and appreciation to our employees '*who are in the arena, with their faces marred by dust and sweat*' and whose commitment is usually obscured, as they are never in the limelight - the valuable people who look after our cars, who sweep and clean our offices while never having had the opportunity to sit at the Exco table.

We are humbled by the commitment and professional conduct of our employees, without whose selfless and diligent work we would not achieve. Thank you MDB family for always surpassing expectations and going beyond what is required. Keep up the good work. Together we can take the MDB forward.

Lastly, we acknowledge the members of the Portfolio Committee for their continued oversight and support. Their ongoing support will be crucial as we craft our strategy for the next 20 years of demarcation.



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board

31 May 2019



PERFORMANCE SNAPSHOT

PERFORMANCE INFORMATION

2017/18



Achieved



Increase in achievement of planned deliverables

2018/19



Achieved



Increase in achievement of planned deliverables

#20 YEARS OF DEMARCATION

Reflections on Spatial Transformation with conference and Book: Twenty years later – The Municipal Demarcation Board reflects on its contributions, experiences and lessons learnt



TECHNICAL MUNICIPAL OUTER BOUNDARY RE-DETERMINATION PROCESS



103

Cases published in terms of
Section 21 of MDA,
1 objection received



102

Cases confirmed in terms of
Section 21(5),
1 case withdrawn

ASSESSMENT OF MUNICIPAL CAPACITY TO PERFORM POWERS AND FUNCTIONS CONDUCTED FOR

249

Municipalities



WARD DELIMITATION



Education, and awareness campaigns
carried out in **5** provinces (KwaZulu-
Natal, Eastern Cape, Free State,
Mpumalanga, North West)

SPATIAL BOUNDARY DESCRIPTIONS



142

Spatial boundary descriptions
completed for **142** municipalities



It's all systems go as municipal boundaries set ahead of the 2019 elections

2019-01-30 16:53
Canny Maphanga



IEC. (Duncan Alfreds, News24, file)

The Municipal Demarcation Board (MDB) says municipal boundaries are in place and will remain that way for the 2019 national and provincial elections, which are expected to take place in May.

The board said it worked very closely with the Electoral Commission of SA (IEC) and added that "even as we do our planning for ward limitations, it starts with the IEC".

"Our timing in delivering wards must be on time [because] the IEC needs to deliver the elections," chairperson Jane Thupana said at a briefing in Tshwane on Wednesday.

The MDB is an independent constitutional institution that determines and reviews municipal boundaries. If demarcations are not set, the IEC cannot complete its voter registration roll.

Boundaries

"Everything is covered. We do not play a role in these upcoming elections. The only thing that the IEC would need to know from us is if the municipal boundaries have shifted between 2015 and 2018.

"The IEC is currently concluding its voters' roll. That voters' roll is cemented according to municipalities, hence the boundaries are significant," Thupane explained.

The briefing comes days after the IEC completed its final voter registration weekend where sporadic service delivery protests nationwide prevented some people from registering.

"The fact of the matter is that communities still have wounds from some of the decisions made in 2015.

"The greatest challenges have emanated from several municipalities being unable to deliver on their constitutional obligations in terms of service delivery," Thupane added.

As a result, 140 voting stations were unable to begin the process of voter registration.

Police were also deployed to Vuwani in Limpopo over the weekend after the Makhado Demarcation Task Team encouraged residents to boycott the process as a way to have their demands resolved.

Residents are demanding that their area be returned to the jurisdiction of the Makhado Local Municipality. The area was incorporated under the newly established Collins Chabane Local Municipality five years ago.

Any potential conflicts that relate to **municipal boundaries will be addressed after the 2021 local government elections.**

On Thursday, Deputy Minister Andries Nel addressed the Municipal Demarcation Board's 20 year anniversary gala dinner in the City of Ekurhuleni

The gala dinner was a final programme item during the first day of the conference themed: 'Twenty Years of Demarcation; Reflections on Spatial Transformation.'

Deputy Minister Nel told the gathered delegates that National CoGTA leadership couldn't join the proceedings during the day as they were charged with the #CabinetLekgotla.

"As CoGTA, we congratulate the Municipal Demarcation Board on this milestone! We endeavour to continue supporting you going forward. Transforming South Africa's Apartheid spatial planning is a collective effort requiring all stakeholders' full commitment," said Deputy Minister Nel.

#20YearsOfDemarcation #MDBturns20 #IUDF #cogta



Councillors capacitated on ward demarcation



MEETING: Smiso Dlamini speaking to the fully packed town hall during the ward delimitation education and awareness meeting last week.

By Xpress Reporter

KwaDukuza Municipality in partnership with Municipal Demarcation Board held a ward delimitation education and awareness meeting at KwaDukuza Town Hall on 13 March 2019. The main purpose of the meeting was to inform, empower and make aware MDB stakeholders and members of the public about the ward

delimitation process towards the 2021 local government elections.

Unpacking the process of ward demarcation, Smiso Dlamini cited that every five years, the Municipal Demarcation Board (MDB) delimits wards in metropolitan and local municipalities for electoral purposes prior to the delimitation of wards.

"The MDB encourages full participation of everyone

during the ward delimitation process. The MDB will appreciate the support during the ward delimitation process. The success of MDB's work is dependent on efficient collaboration with all stakeholders including municipalities, provincial departments, responsible for local government, traditional leadership, political parties and members of the public," said Dlamini.

news24

Two from FS on board

2019-03-06 06:03

Express



Dr David Mohale

Two political figures from the Free State have been appointed to serve on the new Municipal Demarcation Board consisting of ten members.

They are Thabo Manyoni and Dr David Mohale, who will serve as an additional member.

The Municipal Demarcation Board, appointed by Pres. Cyril Ramaphosa, took office on 1 March.

The newly appointed board's term for office is five years. Manyoni has been appointed as the chairperson of the board. His recent position was executive mayor of the Mangaung Metro Municipality, having also served in other influential positions.

Mohale also held powerful positions in local government spheres such as at the Masiyonyana and the Mathabang Local Municipalities.

Manyoni holds a bachelor's degree, a diploma in business management and a certificate in executive leadership. He has extensive experience in the public service, especially at local government level.

Apart from having worked for the Electoral Commission (IEC) for four years, he has been a municipal manager for two municipalities over consecutive periods of four years.

Manyoni was also the national chairperson of the South African Local Government Association (SALGA) and the vice-president of the United Cities and Local Government in Africa.

Manyoni has experience of serving in the provincial and national spheres of government.

He was a member of the executive council of the ruling party over a period of three years during which he served as MEC for Police, Roads and Transport, and as acting premier.

At a national level he has served as a member of parliament.

Mohale holds a BA degree (cum laude), a masters degree in Management and a doctor's degree in Literature and Philosophy. He has worked extensively in the local government sphere.

Mohale was chief of staff at the Masiyonyana Municipality, head of office in the Office of the Mayor, senior manager in the Office of the Speaker in the Mathabang Municipality and senior researcher in the same municipality.

Currently Mohale serves in the Office of the Vice-Chancellor of the Durban University of Technology.

There he is responsible for promoting quality service delivery and communication on transformation and change.

He provides strategic support to the vice-chancellor, including driving stakeholder engage

Nkulie Teise Congratulations to new board members. Wish they will serve the interest of the people not decision based on political interests.

Like · Reply · Message · 23w

Municipal Demarcation Board The MDB is an independent authority that functions without fear, favour or prejudice. The mandate of the MDB is derived from the Constitution and the Municipal Demarcation Act, 27 of 1998.

Like · Reply · 23w

Municipal Demarcation Board
Published by Dimakatso Makhetha [?] · February 5 ·

Please tune-in to channel 403 TODAY on @ #eNCANow at 16h30 as the CEO of MDB will be interviewed live by Thulasizwe Simelane.

#20YearsOfDemarcation
#MDBturns20
#MunicipalCapacityAssessmentReports

256 People Reached · 26 Engagements · Boost Unavailable

5 Likes · 3 Comments · 1 Share

Like · Comment · Share

Most Relevant

Write a comment...

Ld Tsotetsi Interview was edifying

Like · Reply · Message · 27w

PART B

HIGHLIGHT OF ACHIEVEMENTS



1. TECHNICAL MUNICIPAL OUTER BOUNDARY RE-DETERMINATION PROCESS

The MDB started with technical municipal boundary assessments during the 2016/17 financial year. Phase one of the municipal outer boundary re-determination project was to identify what is referred to as technical cadastre misalignments/split settlements/split farms/split traditional areas.

Phase two entailed consultation with key stakeholders such as the IEC, Chief Surveyor-General and Statistics South Africa, which would provide insight into the veracity of the misalignments and how they could be resolved. The MDB has elected not to deal with technical municipal boundary misalignments affecting traditional areas until the project to verify traditional councils throughout the country has been completed by the Department of Cooperative Governance and Traditional Affairs (CoGTA) and the Department of Rural Development and Land Reform.

Phase three entailed sharing information on municipal boundary misalignments with municipal geographic information system (GIS) and planning officials, to allow the municipalities to make inputs on challenges and provide guidance on spatial options for resolving misalignments and assist the MDB in identifying communities affected by misalignment.

Phase four entailed consultation with communities during January and February 2018. The MDB convened meetings in the affected areas and presented the cases to the communities, allowing them to make inputs into solving the misalignments.

After considering inputs from the community and stakeholder consultations, the MDB resolved to proceed with 106 municipal boundary re-determinations, publishing its intention and inviting the public to submit written views and representations (in terms of Section 26 of the MDA).

On 31 May 2018, the Board considered all views and representations received and decided to proceed with 103 re-determinations (in terms of Section 21), including one Eastern Cape case dating back to 2011, but not with four cases in the Western Cape as they were not supported by some of the affected municipalities.

Three cases affecting traditional areas were considered, two in Eastern Cape affecting the Zimbaba and Zingquthu villages, the other in Limpopo affecting Mamatlepa village. These cases were not resolved in 2011 due to non-concurrence between affected municipalities.

All these cases were published in relevant provincial gazettes. Notices invited anyone aggrieved to submit written objections within 30 days of date of publication. The table below provides a breakdown of the cases.

Re-determination cases published in terms of Section 21 of MDA

Province	Cases published in terms of Section 26	Cases published in terms of Section 21	Date of publication	Gazette number	Notice number	Closing date	No of objections received
Eastern Cape	7	8	18 June 2018	4062	103	18 July 2018	None
Free State	10	10	15 June 2018	2018	26	15 July 2018	None
Gauteng	5	5	15 June 2018	164	604	15 July 2018	None
KwaZulu-Natal	28	28	14 June 2018	1964	56	14 July 2018	1
Limpopo	5	5	15 June 2018	2912	97	15 July 2018	None
Mpumalanga	5	5	15 June 2018	2937	88	15 July 2018	None
Northern Cape	9	9	18 June 2018	2187	68	18 July 2018	None
North West	7	7	19 June 2018	7896	117	19 July 2018	None
Western Cape	30	26	15 June 2018	7942	91	15 July 2018	None
TOTAL	106	103					1

The publication of notices in terms of Section 21 was broadcast on the following radio stations:

Province	Local radio	Provincial radio
Eastern Cape	Vukani FM, Nggqushwa FM	Umhlobo Wenene
Free State	OFM	RSG
Gauteng	Mogale FM, Lekoa Community Radio	Jacaranda FM, RSG
KwaZulu-Natal	Khwezi, Newcastle Radio	RSG
Limpopo	Sekgosesa FM	SABC Radio, Jacaranda FM, RSG
Mpumalanga	Mkhondo FM	Ligwalagwala FM, RSG
North West	Vaaltar Radio, Modiri FM	Jacaranda FM
Northern Cape	OFM	RSG
Western Cape	Radio Overberg, Voice of the Cape	Cape Talk

On 31 July 2018, the Board considered the objections received and resolved to confirm its determination for 102 cases, withdrawing the determination for one case. The final decision was published in provincial gazettes in terms of Section 21(5). The table below details the cases.

Re-determination cases published in terms of Section 21(5) of MDA

Province	Cases withdrawn in terms of Section 21(5)	Cases varied in terms of Section 21(5)	Cases confirmed in terms of Section 21(5)	Gazette number	Notice number	Date of publication
Eastern Cape	0	0	8	4102	155	13 August 2018
Free State	0	0	10	2018	49	10 August 2018
Gauteng	0	0	5	229	852	15 August 2018
KwaZulu-Natal	1	0	27	1985	89	9 August 2018
Limpopo	0	0	5	2932	119	10 August 2018
Mpumalanga	0	0	5	2956	107	10 August 2018
North West	0	0	9	7924	160	14 August 2018
Northern Cape	0	0	7	2208	102	13 August 2018
Western Cape	0	0	26	7968	657	10 August 2018
TOTAL	1	0	102			

2. ASSESSMENT OF MUNICIPAL CAPACITY TO PERFORM POWERS AND FUNCTIONS

The MSA makes provision for the MDB to assess the capacity of municipalities (Section 85) to inform the MECs of local government when they consider adjusting existing division of powers and functions between district and local municipalities. When re-determining municipal boundaries, the MDB also considers the capacity of municipalities to perform functions.

Thus, the aim of municipal capacity assessments is to collect and analyse data and information on the capacity of municipalities to perform all powers and functions assigned to them in schedules 4 Part B and 5 Part B of the Constitution of the Republic of South Africa. The 2018 municipal capacity assessments were long awaited as the last assessments were conducted in 2011. The assessment involved 249 municipalities, made up of 44 district and 205 local municipalities. The 2018 assessments benefitted from the lessons learnt over the years, hence the improved approach and model to ensure better outcomes. The 2018 assessments also included external environmental or socio-economic drivers of capacity, which highlight the economic base from which municipalities draw their revenues. The functioning of municipalities that were amalgamated between 2013 and 2015 was also assessed.

The assessments indicated that many municipalities are unaware of how different powers and functions are exercised. Improving municipal capacity is not a remedy to solve all local government challenges. Issues such as poverty, unemployment, corruption, poor leadership, lack of resources and other factors may impact local government performance negatively.

Municipalities must address significant challenges constantly, including:

- Financial management (and performance);
- Improving the capacity to plan, deliver, operate and maintain infrastructure;
- Improving the quality of infrastructure and upgrading aging infrastructure;
- Addressing carrying capacity of infrastructure; and
- Providing effective infrastructure operations and maintenance.

The following reports were generated from the 2018 assessments:

- National report, including a summary of all municipalities in all provinces and an analysis of amalgamations to give the pre- and post-amalgamation scenarios of the level of performance in all municipal functions.

- Nine provincial reports, which provide a summary of all the capacity trends in general and for each function for all municipalities in all provinces. These reports inform municipalities of which functions are performed by each municipality.
- 249 municipal reports (excluding metropolitan municipalities) on powers and functions and environmental situation. These reports are generated for each municipality assessed and allow each municipality to compare its capacity trends with municipalities in the same category.
- Four sector reports on four functions authorised by the Minister (water and sanitation, energy, health and housing). Sectoral reports provide an in-depth analysis of the application of capacity to the four functions. The reports reflect current arrangements for delivering particular services and assess the merits of considering MEC adjustments.

All reports of the latest municipal capacity assessments are accessible on the MDB website (www.demarcation.org.za).

From analyses completed during the 2018 municipal capacity assessments project, the following recommendations emerged:

- a) Defining and restructuring powers and functions**
 - Restructure how municipal powers and functions are conceptualised and defined. The current system is not structured around the major functions performed by municipalities and many municipalities are not clear on where the activities they undertake fit in with the broader categorisation.
 - Clarify functions that are not performed regularly.
- b) Update of information on powers and functions**
 - Update all determinations of division of powers and functions by MECs.
 - Update all assignments and documentation.
 - Review all service level agreements with Eskom.
 - Update annually what functions are being performed and where.
- c) Identification of capacity requirements to exercise powers and functions**
 - Provincial CoGTAs to define more clearly what it means to exercise each power and function to be in a position to engage with provincial and national treasuries on the formulae used to calculate equitable share and other grants/transfers.

The study indicated that many municipalities are unaware of how different powers and functions are exercised in each municipality, as demonstrated by clear variations across provinces in location of powers and functions and how each function is exercised.

d) MECs: Identification of areas for rationalising powers and functions

- Provinces to confirm division of powers and functions and initiate further legislative provisions where needed. The study provided a baseline of functions exercised between category B and C municipalities across South Africa, but the information is based largely on what municipalities have provided.

3. WARD DELIMITATION FOR THE 2021 LOCAL GOVERNMENT ELECTIONS

In line with MDB’s plans to delimit wards ahead of the 2021 local government elections in the 2018/19 financial year, education and awareness campaigns were carried out in five provinces (KwaZulu-Natal, Eastern Cape, Free State, Mpumalanga and North West).

The sessions were held at each local municipality, with councillors, ward committee representatives, community development workers (CDWs) and municipal officials. The MDB unpacked how it delimits wards, outlining the roles and responsibilities of different stakeholders in different phases of the process, including those of the Minister of Cooperative

Governance and Traditional Affairs who has to determine the formulae for the determination of the number of councillors, and of members of provincial executive councils (MECs), who determine the number of councillors for all municipalities.

The broad timeframes of different phases of ward delimitation were shared, including stages at which stakeholders such as municipalities and members of the public can participate. Presentations made at these education and awareness sessions demonstrated how the MDB technically configures wards. Booklets and other educational materials were handed out.

In total, 121 sessions were conducted by end-March 2019 attracting 5 579 delegates.

The sessions proved successful, with attendees expressing their gratitude to the MDB for preparing them well in advance to participate in the ward delimitation process.

4. CONFERENCE ON REFLECTIONS ON 20 YEARS OF DEMARCATION

The MDB held its conference on 20 years of Demarcation on 31 January and 1 February 2019 at Birchwood Hotel and Conference Centre in Boksburg, Gauteng.

The conference targeted influential professionals and practitioners with extensive knowledge and experience in demarcations and spatial transformation. The conference was attended by about 530 delegates from various institutions or groups, including the following:

GROUPS	DESCRIPTION
National departments	Department of Cooperative Governance and Traditional Affairs, Department of Rural Development and Land Reform, Department of Home Affairs, National Treasury, Department of Arts and Culture, Parliament of the Republic of South Africa (Deputy Speakers, members of the Portfolio and Select committees for cooperative governance and traditional affairs)
Provincial departments	Provincial departments of cooperative governance and local government
Municipalities	Metropolitan, district and local municipality mayors, municipal managers and speakers
Statutory bodies and research institutions	Statistics South Africa, Human Sciences Research Council, Surveyor-General, Government Printing Works, SA Cities Network, Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities, Commission for Gender Equality, IEC, South African Local Government Association, Financial and Fiscal Commission
Traditional leadership	National and Provincial Houses of Traditional Leaders
Academic institutions	Universities, institutes, researchers
Non-governmental organisations	Civil society organisations
Media	Several media houses
International guests	Delegates from several African states and Canada
MDB	Previous Board members, current staff members

The conference combined speeches, keynote presentations, panel discussions and sub-plenaries followed by discussions and recommendations.

4.1 AIM AND OBJECTIVES OF THE CONFERENCE

The aim of the conference was to provide a platform for engagements by key players in the local government sector on strategic policy issues that have a bearing on the MDB's mandate and role in spatial transformation, and to reflect on 20 years of municipal demarcations in South Africa.

The objectives were:

- a) Celebrate the 20th anniversary of the MDB, highlighting the major contribution it has made to reversing apartheid spatial logic and fostering socio-economic integration;
- b) Solicit inputs from thought leaders (including government) to inform the local government architecture, e.g. wall-to-wall municipalities, two-tier system, and intermediate cities, defining a context within which demarcation must take place.
- c) Share lessons on demarcation trends and best practices from the international community, including African countries having the highest ethnic diversities.
- d) Launch outcomes of the 2018 municipal capacity assessments to guide the adjustment of powers and functions between local and district municipalities.

4.2 MAIN CONFERENCE THEMES AND DISCUSSIONS

Several themes were identified for discussion during the conference. The section below highlights the main themes, discussions and recommendations:

4.2.1 Municipal amalgamations

- a) The government, led by CoGTA, should explore other mechanisms for addressing dysfunctional municipalities and avoid amalgamation as far as possible.
- b) A clear delineation of municipal powers and functions is needed to enhance performance and accountability.
- c) The amalgamation process must be accompanied by intensive communication efforts to ensure that all stakeholders and communities are made aware of demarcation processes and their consequences.
- d) The MDB should standardise for consistency the way in which it conducts demarcations/amalgamations.
- e) The government should prioritise the development of a vision for local government and ensure that demarcation or amalgamations take place within a

defined national framework (How many district, local and metropolitan municipalities will be required in the next 20 years?).

- f) Financial implications of amalgamations must be considered, and enough funds provided beforehand.

4.2.2 IUDF and NDP context for local government demarcation

- a) The MDB should set-up task teams to identify areas or clusters of municipalities with potential to influence the attainment of NDP and IUDF outcomes.
- b) CoGTA and National Treasury should reconsider the municipal fiscal relations system to enhance sustainability of municipalities.
- c) The MDB to consider how boundaries can enable municipalities to improve spatial settlement patterns and accommodate new growth and development.
- d) The MDB should consider how its demarcations, capacity assessments and other advisory work would facilitate and enable collaboration, i.e. vertical and horizontal alignment of plans and infrastructure.
- e) CoGTA to lead discussions on economic development, traditional areas and allocation of funding to amalgamated municipalities.

4.2.3 Impact on service delivery of wall-to-wall municipalities and the two-tier system of local government

- a) During demarcation, the MDB should consider aligning itself to functioning economic zones/corridors.
- b) Government to foster inter-municipal collaborations on regional projects to encourage economic growth and distribution.
- c) Support measures and interventions (outlined in Section 139 of the Constitution) provided by national and provincial government require reform to ensure that they address historical socio-economic spatial inequalities and provide appropriate solutions.
- d) In view of their weaknesses, the role of most district municipalities should be reviewed to allow them to perform shared services.
- e) Stronger local municipalities should be demarcated outside district municipalities, enabling district municipalities to perform specialised functions for weaker local municipalities. This could mean the revival of district management areas and the introduction of sub-councils.
- f) CoGTA should establish a monitoring and evaluation mechanism to develop a systematic and empirical approach to the assignment of municipal powers and functions.

4.2.4 Ethnic identity in municipal boundary demarcation

- a) Cultural and traditional lines should be considered and acknowledged for social cohesion, but should not be the main determinants in demarcation.
- b) Municipal demarcation processes should foster diversity by bringing together different ethnic groups.
- c) Government must develop programmes to foster integration development and fair resource distribution, as distribution of resources and service delivery is a main cause of ethnic tension.
- d) The MDB should avoid as far as possible splitting communities into different municipalities.
- e) Traditional leaders and their communities must be taken into confidence on demarcation to avoid dissatisfaction.

4.2.5 Significance of community or citizen 'will' in demarcation: Finding a balance between public wishes and legal considerations

- a) Demarcation public participation processes should be intensified and start much earlier in the process.
- b) The MDB should heighten its public education and awareness processes.
- c) The weaknesses in public participation in the current legal framework need to be addressed.
- d) Intergovernmental relations legislation must be enforced to ensure that all spheres of government take responsibility for demarcation and functionality of municipalities.

4.3 CONCLUSION

The conference examined the good, bad and ugly of the last 20 years of demarcation. The discussions paved a way forward in terms of determining what still needs to be done over the next 20 years, to inform and sharpen the demarcation instrument.

Issues that surfaced from the conference included the following: the frequency of municipal boundary re-determinations (with a view to demarcating only every 10 years), concerns about public participation, need for enhancement of inter-municipal collaboration to avoid amalgamations, and reaching conclusion on the long-overdue two-tier system debate.

Conference attendance was satisfactory and discussions were engaging and generated significant inputs that will elevate the work of the MDB and local government.

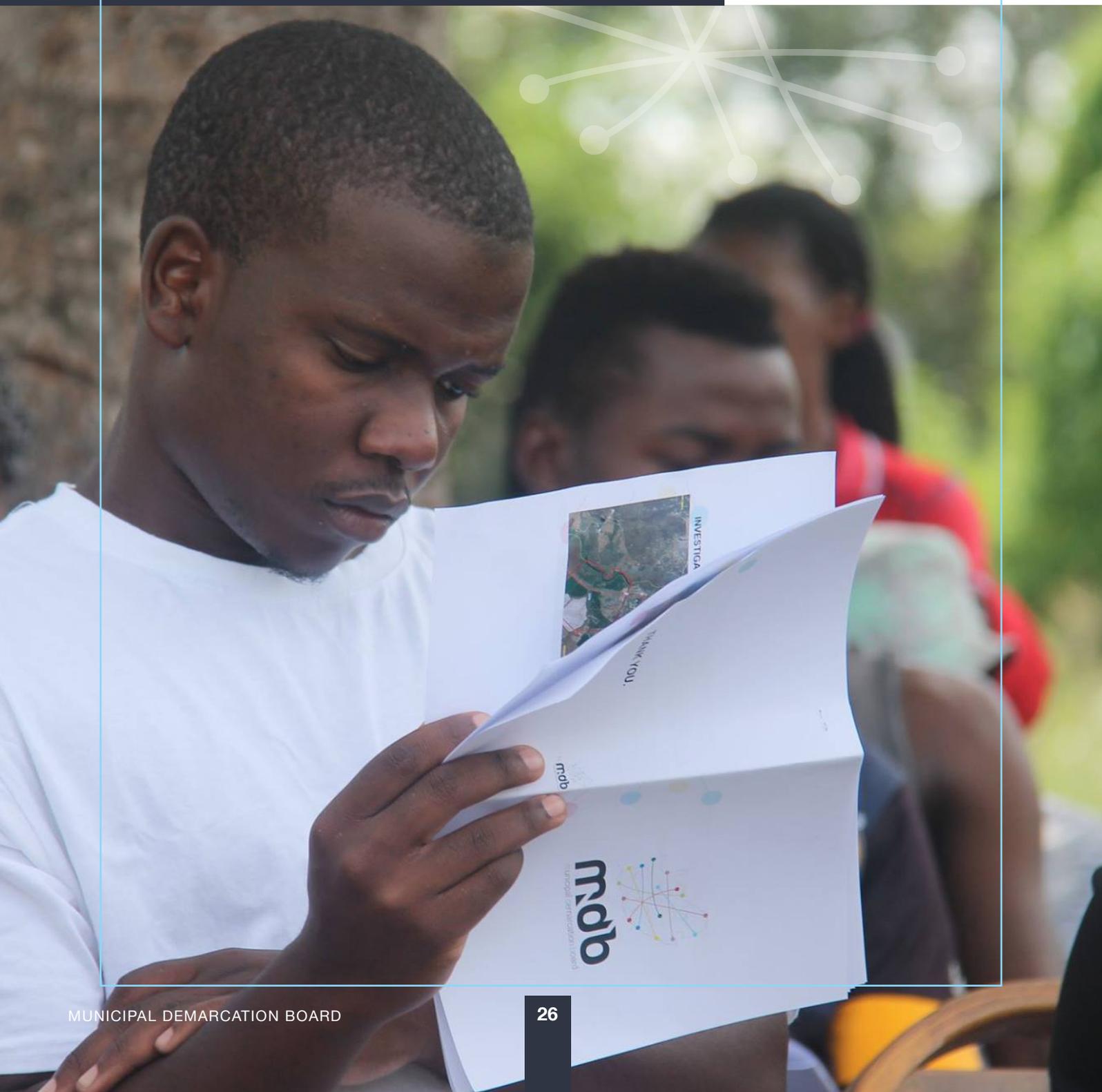
It is incumbent on the MDB to take the proposals (policy and legislative etc) and recommendations forward to responsible authorities. All recommendations and conclusions that directly affect MDB operations will be analysed and where appropriate, will be incorporated into its operational plans and procedures.





PART C

PERFORMANCE INFORMATION



1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of responsibility of performance information for the year ended 31 March 2019

The Chief Executive Officer is responsible for the preparation of the MDB's performance information and for the judgments 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 Plans of the MDB for the financial year ended 31 March 2019.

The MDB's performance information for the year ended 31 March 2019 has been examined by the external auditors and their report is presented on page 54.

The performance information of the institution set out on page 28 to page 34 was approved by the Board.



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
Date: 31 May 2019

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 54 of the Report for the Auditor's Report, published in Part F: Financial Information.

3. OVERVIEW OF PERFORMANCE

3.1 Service delivery environment

Whilst the MDB concluded the capacity assessment, there were a number of challenges experienced during the data collection process, including non-responsiveness by certain municipalities, which led to the MDB using secondary data from National Treasury, CoGTA, Stats SA etc to conclude the assessment. These challenges prevailed despite the number of mitigating measures by the Board, including presenting to MinMEC and MECs, and engaging municipal managers through circulars and, in certain circumstances, telephonically.

The MDB continued to build on public participation, education and awareness foundations laid in previous years by conducting quarterly awareness and education programmes for different demarcation objectives, including an awareness campaign in four provinces during the last quarter on ward delimitation processes. The impact of the public participation programme was also felt during the technical outer boundary re-determination process, where only a few views were received during the Section 26 process and only one objection received during the Section 21 process. This cemented the view long held by the Board that, indeed, if resources are made available for the Board to enhance public participation processes, understanding of the demarcation processes will be maximised.

3.2 Organisational environment

During the year under review, the MDB's organisational environment continued to be impacted on by a number of employees resigning in search of better opportunities. This was partly as a result of the MDB's inability to implement the job evaluation results, which showed that all employees whose jobs were evaluated are underpaid. The efforts undertaken by management to engage National Treasury so that it could increase the baseline to meet the required budget was not fruitful. This will continue to impact negatively on the morale of employees and the exodus of skilled personnel to other institutions will continue.

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

The MDB achieved the following set strategic outcome-oriented goals for the period under review:

- Good Corporate Governance;
- Quality demarcation processes and outcomes;
- Quality research, sound advisory and Knowledge management services;
- Meaningful Public participation.

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 Programme 1: Administration

4.1.1 Purpose

To maintain high standards of good corporate governance and effective management of human and financial resources.

4.1.2 Sub-programmes

There are two sub-programmes, namely corporate services and financial management:

Corporate Services focuses on the following:

- **Legal Services**
Coordinate legal services and advice to the MDB, which includes contract management, litigation, employment law, lease matters, legal advice and guidance, legal opinions and documentation preparation as well as drafting.
- **Board Support**
Provides for the effective and efficient operation of the Board and its committees. Concerted efforts are made to ensure that the Board receives all information punctually to facilitate informed decision making in the performance of oversight responsibilities and fiduciary duties.
- **Human Resources**
The division focuses on matters of organisational design and the entire human resources value chain, including human capital development, performance management and labour relations to ensure that the organisation remains competitive and is able to attract and retain talent that is necessary to drive implementation of the MDB's mandate. This will include re-alignment of posts on the organisational structure in support of the Strategic Objectives.

- **Administration**
Provides administrative support services in areas that include facilities and records management, occupational health and safety, as well as auxiliary services.
- **Corporate Planning**
Provides support to management for the development of the Strategic Plan, Annual Performance Plan, operational plans and quarterly reporting on performance against predetermined objectives.
- **ICT Support**
The purpose of ICT is to enable the organisation to function effectively and efficiently through the deployment of technological innovations. ICT should inform new ways of doing business, resulting in efficiencies, convenience, cost saving and improved outcomes. This should provide and maintain a sustainable and secure ICT service that supports overall governance of the MDB. This will apply to internal operations e.g. electronic document management and cost efficiency, collaboration with stakeholders and the public, and generally enhance decision support. It will also reduce negative impact on the environment through a reduced use of paper.

Some of the immediate benefits that will improve delivery of the core business and address some of the burning public concerns are:

- collaborative feedback and conversation with the public to enhance public participation in demarcation processes;
- use of social media to capture the inputs of key stakeholders e.g. youth, who are not accommodated in the traditional system of meetings that are held during days and times that do not suit them; and
- use of the interactive online GIS to increase public access to mapping resources for making submissions on boundary re-determinations and ward delimitations.

- **Stakeholder Management and Communication**
Strengthen interaction with internal and external stakeholders through regular communication. The unit also serves to promote positive image of the organisation through marketing and branding initiatives.

Financial Management focuses on the following:

- **Financial Management**
Ensures existence of effective, efficient and transparent systems of financial management to deliver accurate financial information for timeous decision-making.
- **Risk Management**
Existence of an effective risk management system that informs the strategic planning process and the internal audit plan. The unit further identifies the strategic risks and assessment thereof in terms of inherent and residual risk exposure.
- **Supply Chain Management**
Existence of an appropriate procurement system, which is fair, equitable, transparent, competitive and cost effective to prevent irregular, fruitless and wasteful expenditure.
- **Asset Management**
Provides effective systems and processes to acquire, safeguard, maintain and dispose of assets. These includes tangible and intangible assets, such as information copyright.



Key performance indicators, planned targets and actual achievements

Strategic Objective	Strengthen the corporate governance environment				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Maintain the number of reports on the implementation of Board resolutions submitted	Quarterly reports on implementation of resolutions of the Board submitted	4	4	0	N/A
Maintain the number of reports on monitoring and evaluation of compliance with relevant legislation submitted	Quarterly reports on the compliance with applicable legislation submitted to the Board	4	4	0	N/A
Number of organisational performance review sessions conducted	New Indicator	4	4	0	N/A
Number of reports on ICT Governance submitted	New Indicator	4	4	0	N/A
Host a conference on Reflections on two decades of demarcation	New Indicator	A conference on Reflections on two decades of demarcation hosted	Hosted a conference on Reflections on two decades of demarcation	None	N/A
Number of media campaigns conducted to increase awareness of demarcation processes	4 media campaigns conducted to raise public and stakeholder awareness of the technical municipal boundary alignments	1	1	0	N/A

Strategic Objective	Sound Financial Management				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Audit opinion expressed by the AGSA	Unqualified audit opinion	Unqualified audit opinion	AGSA expressed an unqualified audit opinion	None	N/A
Percentage of Audit action plan implemented	New Indicator	100% Audit action plan implemented before the next audit cycle	100% Audit action plan implemented before the next audit cycle	None	N/A
Annual Strategic risk register developed by target date	Strategic risk register not approved by end February 2018	Develop annual Strategic risk register by end March 2019	Strategic risk register developed by end March 2019	None	N/A
Organisational input on ENE submitted to National Treasury by target date	New Indicator	ENE input submitted to National Treasury by end February 2019	ENE input submitted to National Treasury by end February 2019	None	N/A
Number of budget monitoring reports submitted	New Indicator	4	4	0	N/A
Percentage of fully compliant invoices received and paid within 30 days of receipt	New Indicator	100%	97%	-3%	Invoices were provided to AG as part of their audit process and were not retrieved when they became due for payment. It resulted in those invoices being paid thirty-five days after receipt.

Strategy to overcome areas of underperformance

To ensure that all compliant invoices are paid within 30 days of receipt, manual processes were put in place to monitor the payment of invoices. A procure-to-pay system will be implemented to alert and enforce timeous payment.

Changes to planned targets

The performance indicator “A Dialogue session on Reflections on the 2nd decade of demarcation hosted” was amended and expanded to “Host a conference on Reflections on two decades of demarcation”.

4.2 Programme 2: Demarcations

4.2.1 Purpose

Provide demarcation services in line with the relevant legislation.

4.2.2 Sub-programmes

This programme consist of Core Operations and Operational Technology and focuses on:

- Boundary determination and re-determination**
 The MDB must determine and re-determine municipal boundaries throughout the Republic of South Africa, following processes and guidelines that are consistent with the MDA and other appropriate legislation enacted in terms of Chapter 7 of the Constitution. In determining the boundaries, the MDB is guided by objectives and factors that ensure that municipalities are sustainable and able to fulfil their constitutional mandate.

Ward delimitation

The MDB, after consultation with the Electoral Commission, for purposes of an election, must delimit wards in all metropolitan and local municipalities that qualify to have wards. The process of ward delimitation enhances citizens’ role in participatory democracy through crafting of geopolitical spaces within which political representatives are elected.

Key performance indicators, planned targets and actual achievements

Strategic Objective	Conduct determination and re-determination of municipal boundaries				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Legal notices published in line with resolutions of the Board in terms of Section 21 and 21(5) of the MDA	N/A	Publish section 21 and 21(5) notices in terms of the MDA in line with resolutions of the Board	Section 21 and 21(5) notices published in terms of the MDA in line with resolutions of the Board	None	N/A
Number of municipalities with spatial boundary descriptions finalised by end 2021.	85 municipalities with spatial boundary descriptions finalised for the year under review	57	57	0	N/A

Strategic Objective	Delimit wards for all municipalities that qualify to have wards				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Percentage of voting districts analysed to identify fragmentation of communities	New Indicator	100%	100%	0	N/A

4.3 Programme 3: Research and Knowledge Management

4.3.1 Purpose

This programme provides research that will contribute to the knowledge repository, thereby providing a base for all demarcation decisions and advisory services.

4.3.2 Sub-programmes

This programme consists of Advisory and Research and focuses on:

- Assessment of the capacity of municipalities**
 Conduct capacity assessments of metropolitan, district and local municipalities to inform boundary determinations and to provide advice to MEC on the adjustment of powers and functions between district

and local municipalities. A new approach adopted by MDB will ensure that the process considers not only the institutional factors but to a large extent the environmental factors such as natural endowments, economic infrastructure and other socio-economic variables (e.g. demographics, education, income levels etc).

- Research and knowledge management**

This programme facilitates knowledge development and management for optimal decision making on boundary determinations in order to further the objectives of sustainable municipalities. It also provides responsive and evidence-based research that contributes to the demarcation processes towards redress of apartheid spatial planning. Ultimately, this programme aims to position the MDB as a knowledge hub on matters involving spatial transformation and demarcations in particular.

Key performance indicators, planned targets and actual achievements

Strategic Objective	Conduct assessment of municipal capacity				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Number of reports compiled on minimum norms and standards for municipal capacity to perform its powers & functions	New Indicator	16	16	0	N/A
Number of municipalities in which capacity assessments were conducted	Municipal capacity assessments for 81 municipalities not conducted	249	249	0	N/A

Strategic Objective	Conduct research and render advisory and knowledge management services				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Number of research papers produced	4 internal review publications	2	2	0	N/A
Maintain the number of research seminars conducted	2 research seminars conducted	2	2	0	N/A
Produce a book on Reflections on two decades of demarcation	N/A	Book on Reflections on two decades of demarcation produced	Book on Reflections on two decades of demarcation produced	None	N/A

Changes to planned targets

A new performance indicator was added to measure the “Number of municipalities in which capacity assessments were conducted”, with an annual target “249 municipalities assessed”. The performance indicator “Produce a book on Reflections on the 2nd decade of demarcation” was slightly amended to align with the conference to “Produce a book on Reflections on two decades of demarcation”.

4.4 Programme 4: Public Participation, Education and Awareness

4.4.1 Purpose

To deepen democracy through public participation and outreach initiatives.

4.4.2 Sub-programme

This programme consists of Stakeholder Management and Communication and focuses on:

Public education and awareness

Widening of the knowledge, understanding and awareness of demarcation issues by the general public and other stakeholders to enable informed and meaningful public participation in all MDB processes.

Public participation

Over time, various stakeholders, including the public, felt that the MDB conducted its operations without adequate engagements and was therefore alienated from the realities on the ground. This was confirmed during the latest boundary re-determinations and ward delimitations as well as the conference on demarcation and spatial transformation in June 2016. The programme aims to deepen participation in demarcation processes with the community and other stakeholders.

Key performance indicators, planned targets and actual achievements

Strategic Objective	Enhance public participation, education and awareness				
Performance Indicator	Actual achievements 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to Actual achievement for 2018/19	Comment on deviations
Maintain the number of partnerships established to enhance public education and awareness	2 partnerships to enhance public education and awareness	2	2	0	N/A
Maintain the number of outreach programmes to strengthen public awareness and education of demarcation processes	4 public and stakeholder education and awareness activities conducted on the municipal boundary determinations process	4	4	0	N/A
Maintain the number of outreach programmes to strengthen stakeholder awareness and education of demarcation processes		4	4	0	N/A
Number of promotional materials developed to strengthen public awareness and education of demarcation processes	New Indicator	4	4	0	N/A

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Revenue Collection

Sources of revenue	2018/19			2017/18		
	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	55 568	55 568	-	57 631	57 631	-
Sale of goods	-	-	-		3	3
Interest received	897	1 059	(162)	500	807	307
Other income		470	(869)		1 658	1 658
TOTAL	56 465	57 097	(1 031)	58 131	60 099	1 968

5.2 Programme Expenditure

Programme	2018/19			2017/18		
	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: Administration	36 820	36 582	(369)	32 641	30 565	2 076
Programme 2: Demarcations	11 658	11 154	642	10 464	10 365	99
Programme 3: Research and Knowledge Management	7 294	6 956	338	9 502	4 033	5 469
Programme 4: Public Participation, Education and Awareness	8 758	6 114	2 644	5 523	3 456	2 067
TOTAL	64 567	60 496	3 255	58 130	48 419	9 711

PART D

GOVERNANCE

MDB BOARD 2019



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 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 MDA. In terms of Section 155 of the Constitution, the MDA and the MSA, 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
- The rendering of an advisory service on matters provided for in the 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 IV Report on Corporate Governance.

2. PORTFOLIO COMMITTEE

In terms of Section 39 of the MDA, 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 of the end of the financial year, and must include audited financial statements.

The MDB briefed the Portfolio Committee on Cooperative Governance and Traditional Affairs, on the committee's invitation, twice 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 laid out in Section 8 of the MDA. There is no limit to the number of terms a member of the Board may serve, except that any reappointment is subject to the conditions and procedures set out in Section 8 of the MDA. 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, namely the oversight role and the executive role in boundary demarcations.

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 regulatory authorities and other stakeholders.

To this end, the Board adopted the Board Charter, whose purpose is to regulate how business is to be conducted by the Board according to the principles of good corporate governance. The Board Charter sets out specific responsibilities to be discharged by Board members collectively, and the individual roles expected of them. The Board recognises that it is crucial that substance prevails over form, and in applying the principles of the Board Charter, will be guided by the principles and recommendations of the King IV Report and established standards of best governance practice.

The Board Charter is aligned with the King IV Report and addresses the role of the Board, meetings, committees of the Board, and terms of reference of the committees of the Board.

Composition of the Board

The table below reflects membership of the MDB for the five years from 20 February 2014 to 19 February 2019 and meetings attended in the 2018/19 financial year.

Name	Designation	Date		Other committees	Number of Board meetings attended
		Appointed	Term ended		
Jane J Thupana	Board Chairperson	20 February 2014	19 February 2019	Governance, Social and Ethics Committee.	6
Ashraf M Adam	Deputy Board Chairperson	20 February 2014	19 February 2019	Governance, Social and Ethics Committee; Human Capital Committee; Knowledge Management and ICT Committee; Public Participation and Stakeholder Engagement Committee.	7
Isobel E Konyn	Board member	20 February 2014	19 February 2019	Audit and Risk Committee; Knowledge Management and ICT Committee.	7
Lebina D Tsotetsi	Board member	20 February 2014	19 February 2019	Human Capital Committee; Public Participation and Stakeholder Engagement Committee.	6
Simphiwe Dzengwa	Board member	20 February 2014	September 2018	Governance, Social and Ethics Committee; Audit and Risk Committee; Boundaries, Powers and Functions Committee.	4
Shivon D Wiggins	Board member	20 February 2014	19 February 2019	Governance, Social and Ethics Committee; Human Capital Committee; Boundaries, Powers and Functions Committee.	7
Maruping M Wildebees	Board member	20 February 2014	19 February 2019	Governance, Social and Ethics Committee; Boundaries, Powers and Functions Committee; Knowledge Management and ICT Committee.	7
Mmatsie S Mooki	Board member	20 February 2014	19 February 2019	Governance, Social and Ethics Committee; Audit and Risk Committee; Public Participation and Stakeholder Engagement Committee.	7

Board member Simphiwe Dzengwa resigned from the Board in September 2018.

Committees

Board members whose names are written first in the table below are Chairpersons of those committees. All committee Chairpersons together with the Chairperson and Deputy Chairperson, are members of the Governance, Social and Ethics Committee.

Committee	Number of meetings held	Number of members	Name of members
Governance, Social and Ethics Committee	4	5	MJJ Thupana AM Adam S Dzengwa SD Wiggins MM Wildebees MS Mooki
Human Capital Committee	4	3	SD Wiggins AM Adam LD Tsotetsi
Audit and Risk Committee	6	4	D Coovadia S Dzengwa MS Mooki IE Konyin
Boundaries, Powers and Functions Committee	4	3	S Dzengwa SD Wiggins MM Wildebees
Knowledge Management and ICT Committee	5	3	MM Wildebees IE Konyin AM Adam
Public Participation and Stakeholder Engagement Committee	4	3	MS Mooki AM Adam LD Tsotetsi

Attendance of meetings

Name	Governance, Social and Ethics Committee		Human Capital Committee		Audit and Risk Committee		Boundaries, Powers and Functions Committee		Knowledge Management and ICT Committee		Public Participation and Stakeholder Engagement Committee	
	M	A	M	A	M	A	M	A	M	A	M	A
Jane J Thupana	4	4	-	-	-	-	-	-	-	-	-	-
Ashraf M Adam	4	4	4	4	-	-	-	-	5	2	4	3
Isobel E Konyin	-	-	-	-	6	6	-	-	5	5	-	-
Lebina D Tsotetsi	-	-	4	4	-	-	-	-	-	-	4	4
Simphiwe Dzengwa	4	2	-	-	6	4	4	2	-	-	-	-
Shivon D Wiggins	4	4	4	4	-	-	4	4	-	-	-	-
Maruping M Wildebees	4	4	-	-	-	-	4	4	5	5	-	-
Mmatsie S Mooki	4	4	-	-	6	6	-	-	-	-	4	4

Legend:

M = Meetings convened

A = Attendance

Remuneration of Board members

Board members are remunerated for attendance of Board meetings, Board sub-committee meetings as well as workshops and other assignments.

Name	Remuneration	Other allowances	Other reimbursements	Total
Jane J Thupana	1 505			1 505
Ashraf M Adam	265	14		279
Isobel E Konyin	226	14		240
Lebina D Tsotetsi	181	14		195
Simphiwe Dzengwa	224	11		235
Shivon D Wiggins	297	14		311
Maruping M Wildebees	356	14		370
Mmatsie S Mooki	303	14		317
Dawood Coovadia	186	-		186
Thabo M Manyoni	146	5		151

The following individuals took up MDB Board membership on 1 March 2019 and will remain in office until 29 February 2024. No meetings were held by the incoming Board for the 2018/19 financial year.

Name	Designation	Date
		Appointed
Thabo M Manyoni	Board Chairperson	01 March 2019
Mbali P Myeni	Deputy Board Chairperson	01 March 2019
Jane J Thupana	Board member	01 March 2019
Albert Kekesi	Board member	01 March 2019
Monnapula P Motlogelwa	Board member	01 March 2019
Greta Apelgren-Narkedien	Board member	01 March 2019
Themba Dubazana	Board member	01 March 2019
Mmatsie Mooki	Board member	01 March 2019
David Mohale	Board member	01 March 2019
Namso Baliso	Board member	01 March 2019

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 continually. 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 responsible for risk management.

The MDB's Risk Management Framework outlines guiding principles for the management of risk. It comprises all MDB structures, policies, strategies and procedures that deal with risk management at the strategic or operational level.

A formal risk assessment exercise is undertaken annually to establish risks that may prevent the MDB from achieving its goals and objectives. This process strives to identify the critical risks the entity may face to enable it to formulate risk strategies and action plans to mitigate and address these risks. Quarterly risk assessments are also performed as part of the quarterly performance monitoring process.

5. INTERNAL CONTROL

Internal control systems were introduced to provide reassurance to management and the Board about the financial position of the MDB, safeguarding of assets (including information) and compliance with laws and regulations. Internal auditors monitor the functioning of the internal control systems and make recommendations to management and to the Audit and Risk Committee.

The Auditor-General has considered the internal control systems as part of its 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 pose a challenge to any internal control system and even the best internal control system may provide only partial assurance.

The MDB's internal control systems were designed to provide reasonable, and not absolute, assurance of the integrity and reliability of the financial statements; safeguard, verify and maintain accountability of its assets, and detect fraud, potential liability, loss and material misstatement, while complying with 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 practicing accountant and auditor. The table below discloses information on Audit and Risk Committee members:

Name	Internal or external	If internal, position in the public entity	Appointed	Term ended	Number of meetings attended
Dawood Coovadia	External	Independent	1 September 2014	-	6
Simphiwe Dzengwa	External	Board member	20 February 2014	Resigned September 2018	4
Mmatsie S Mooki	External	Board member	20 February 2014	19 February 2019	6
Isobel E Konyin*	External	Board member	1 January 2017	19 February 2019	6

*Member Isobel E Konyin became a member of the Audit and Risk Committee when the Board reconstituted its committees from 1 January 2017.

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

7. COMPLIANCE WITH LAWS AND REGULATIONS

The following legislation is applicable:

Constitution of the Republic of South Africa, 1996	Treasury Regulations, March 2005, issued in terms of the PFMA
Local Government: Municipal Demarcation Act 27 of 1998	Preferential Procurement Policy Framework Act 5 of 2000
Local Government: Municipal Structures Act 117 of 1998	All practice notes on Supply Chain Management Act
Local Government: Municipal Systems Act 32 of 2000	Employment Equity Act 55 of 1998
Generally Recognised Accepted Practice	Basic Conditions of Employment Act 75 of 1997
Income Tax Act 58 of 1962	Labour Relations Act 88 of 1998
Value-Added Tax Act 89 of 1991	Promotion of Administrative Justice Act 1 of 2000
Public Finance Management Act 1 of 1999, as amended	Promotion of Access to Information Act 2 of 2000

8. FRAUD AND CORRUPTION

The MDB irrevocably binds itself to combatting all forms of fraud and corruption and to remaining proactive in the fight against fraud and other white-collar crime.

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

The MDB, through the Audit and Risk Committee, monitors and reviews business risk relating to fraud and corruption. It also uses the Public Service Commission's National Anti-Corruption Hotline as a reporting channel.

9. MINIMISING CONFLICT OF INTEREST

The MDB has developed procedures to prevent or minimise conflict of interest. Annually, Board members and employees are required to disclose their financial interests, including those of close family members. Such disclosure ensures that there is no conflict of interest when decisions are made by any of the MDB's governance structures.

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 complete the Declaration of Interest Register in all Board and committee meetings to declare conflict of interest.

10. CODE OF CONDUCT

The MDB has an approved Code of Conduct and Ethics Policy in place, based on principles of honesty and integrity. It is a guide to Board members, management and employees on the ethical behaviour expected of them, in both their individual conduct and their relations with others. Relations include those with stakeholders such as the legislature, the public, fellow employees and other organs of state.

11. COMPANY SECRETARY

The functions of the Company Secretary include support to the Board to maximise its efficiency and to ensure that it conducts its business according to good corporate governance and practice.

The Company Secretary is located in the office of the Chairperson and is responsible for the operations of the Board, including secretarial and administrative support. In compliance with good corporate governance, the Company Secretary also facilitates self-assessment of the Board and its committees, and financial disclosures by the Board. The responsibilities of this position are strategic and incorporate all corporate governance matters and adherence to the legislative imperatives of the King IV Report.

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.

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 duties and responsibilities.

1. AUDIT AND RISK COMMITTEE CHARTER

The Audit and Risk Committee has adopted a formal Audit and Risk Committee Charter that has been approved by the Board. The committee has conducted its affairs in compliance with its charter and has discharged its responsibilities contained therein. The charter is available on request.

2. AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The committee met six times during the 2018/19 financial year, in line with the approved Audit and Risk Committee Charter, and consists of the members listed below:

Member	Term of office	Number of meetings attended
Dawood Coovadia	Appointed 1 September 2014.	6
Simphiwe Dzengwa	Appointed 20 February 2014, resigned September 2018	4
Mmatsie S Mooki	Appointed 20 February 2014 to 19 February 2019	6
Isobel E Konyin*	Appointed 1 January 2017 to 19 February 2019	6

**Member Isobel E Konyin became a member of the Audit and Risk Committee when the Board reconstituted its committees from 1 January 2017*

The effectiveness of the Audit and Risk Committee and its individual members is assessed biennially.

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. It 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 with 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, was independent of the organisation, which includes consideration to the extent of other work undertaken by the Auditor-General and compliance with criteria relating to independence or conflicts of interest prescribed by the Independent Regulatory Board for Auditors.

The committee, in consultation with the Accounting Officer, agreed to the engagement letter, terms and strategic audit plan, and recommended the budgeted audit fees for the 2018/19 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 oversaw the performance by internal audit of a written assessment of the effectiveness of the institution's systems of internal control and risk management. This written assessment formed the basis for the Audit and Risk Committee's recommendation to the Board.

Following a risk management process, identification of corrective actions and suggested enhancements to controls and processes, internal audit, in line with the PFMA and Treasury Regulations, provided the committee and management with the assurance that internal controls are appropriate and effective, but required some improvement.

A formal risk assessment was undertaken by the institution during the financial year. 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 the 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 partially efficient and partially effective and required some improvement.

Whistleblowing

The Audit and Risk Committee receives and deals with any concerns or complaints, whether from within or outside the organisation. During the year, no matters 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, as set out in the Audit and Risk Committee Charter. These functions include the following:

Corporate governance

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

Governance of risk

The Audit and Risk Committee performs oversight of risk management processes within the institution. It 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 PFMA

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 and 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 resources, standing and authority in the institution to enable it to discharge its duties. Furthermore, the committee oversees cooperation 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 regularly to the Audit and Risk Committee the findings of internal audit work against the agreed internal audit plan. 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 in its audits the risks pertinent to the institution. The committee believes that the internal audit has contributed to the improvement of internal controls within the institution.

On behalf of the Audit and Risk Committee:



Dawood Coovadia
Chairperson: Audit and Risk Committee
Municipal Demarcation Board

Date: 31 July 2019



PART E

HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

During the period in review:

- The MDB's organisational structure consisted of 49 approved posts with 43 filled posts and six vacant posts, translating into a vacancy rate of 12%.
- 100% of employees completed their performance agreements.
- Twenty-two employees (51%) were trained in line with the Workplace Skills Plan and six employees (14%) were offered bursaries to further their studies at various tertiary institutions.
- Twenty-eight human resources policies were reviewed and merged into 10 policies, and information sessions were conducted with staff on the policies.
- Two employee health and wellness initiatives were conducted.
- The annual employment equity report was submitted to the Department of Labour as per legislated timeframes.

The entity faced the following challenges:

- Limitations in establishing a full-scale research capacity to conduct, among others, research work, municipal capacity assessments and establishing a regional footprint to enhance stakeholder engagement, public participation, education and awareness in demarcation processes that are key in the delivery of its mandate.
- The results from the job evaluation conducted could not be implemented within the 2018/19 financial year due to budgetary constraints.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel cost by programme

Programme	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee
	R'000	R'000			R'000
Administration	36 252	16 229	44%	26	624
Demarcations	11 154	9 272	83%	13	713
Research and Knowledge Management	6 956	1 957	28%	2	978
Public Participation, Education and Awareness	6 114	883	14%	2	441
TOTAL	60 476	28 341	46%	43	659

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
Top management	5 775	20%	3	1 855
Senior management	6 230	21%	6	1 029
Professionally qualified	9 176	32%	16	554
Skilled	7 160	25%	18	386
TOTAL	28 341	100%	43	641

Performance rewards

Level	Performance reward	Personnel expenditure	% of performance reward to total personnel cost
	R'000	R'000	
Top management	96	5 775	0.1%
Senior management	51	6 230	0.8%
Professionally qualified	159	9 176	1.7%
Skilled	146	7 160	2%
TOTAL	453	28 341	1.6%

Training costs

Programme	Personnel expenditure	Training expenditure	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
	R'000	R'000			R'000
Administration	16 229	112	0.7%	14	8
Demarcations	9 272	96	1.1%	7	13
Research and Knowledge Management	1 957	6	0.3%	1	6
Public Participation, Education and Awareness	883	0	0.0%	0	0
TOTAL	28 341	215	2.12%	22	27

Employment and vacancies

Programme	2017/18 number of employees	2017/18 approved posts	2018/19 number of employees	2018/19 vacancies	% of vacancies
Administration	26	30	26	4	13%
Demarcations	13	14	13	1	7%
Research and Knowledge Management	3	3	2	1	33%
Public Participation, Education and Awareness	2	2	2	0	0%
TOTAL	44	49	43	6	12%

Level	2017/18 number of employees	2017/18 approved posts	2018/19 number of employees	2018/19 vacancies	% of vacancies
Top management	4	4	3	1	25%
Senior management	6	6	6	0	0%
Professionally qualified	15	18	16	2	11%
Skilled	14	21	18	3	14%
Subtotal permanent employees	39	49	43	6	12%
Fixed-term contract employees	5	0	0	0	
Internship programme	0	0	0	0	
Subtotal contract employees	5	0	0	0	
TOTAL	44	49	43	6	

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	4	0	1	3
Senior management	6	1	1	6
Professionally qualified	16	4	4	16
Skilled	18	4	4	18
TOTAL	44	9	10	43

Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	0	0%
Resignation	4	8%
Dismissal	2	4%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
TOTAL	6	12%

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	0
Precautionary suspension	0
Dismissal	2

Equity target and employment equity status

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior management	4	0	0	0	1	0	0	0
Professionally qualified	9	0	1	0	0	0	1	0
Skilled	4	0	0	0	0	1	0	0
TOTAL	19	0	0	0	1	0	1	0

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	0	0	1	0	0	0	0
Senior management	1	0	0	0	0	0	0	0
Professionally qualified	3	0	0	0		1	1	1
Skilled	13	0	1	0	1	0	1	0
TOTAL	18	0	1	0	1	0	2	0

Level	Staff with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professionally qualified	0	0	0	1
Skilled	0	0	0	0
TOTAL	0	0	0	1

PART F

FINANCIAL INFORMATION



1. STATEMENT OF RESPONSIBILITY

Statement of responsibility for the Annual Financial Statements for the year ended 31 March 2019

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

The Accounting Authority is responsible for establishing and implementing a system of internal control 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 2019.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the MDB.

The MDB's Annual Financial Statements for the year ended 31 March 2019 have been audited by the external auditors and their report is presented on page 54.

The Annual Financial Statements of the MDB, set out in Part G, have been approved.



Tintswalo Baadjie
Chief Financial Officer
Municipal Demarcation Board
Date: 31 July 2019



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
Date: 31 July 2019

2. REPORT OF THE CHIEF EXECUTIVE OFFICER

General review

The MDB has worked consistently towards determining municipal boundaries and delimitation of wards for local government. However, in recent years, our financial health has deteriorated due to high demand for regional presence and continued development and strengthening of public participation.

Key strategic goals

The MDB adopted a new strategy for 2015/16 to 2020/21. In line with the strategy, the Board focused on the following key strategic goals during the 2018/19 financial year:

1. Good Corporate Governance;
2. Quality demarcation processes and outcomes;
3. Quality research, sound advisory and Knowledge management services;
4. Meaningful Public participation.

General financial review

Revenue for the year under review amounted to R56 997 million, compared to R60 099 million in 2017/18. The MDB's main source of revenue is the government grant, which is 97% of its total revenue.

Total expenditure for the year under review amounted to R60 476 million, compared to R50 475 million in 2017/18. This resulted in a deficit of R3 479 million due mainly to commitments from the previous financial year. These were, however, budgeted for in 2018/19.

Total budget for the year was R64 566 million, thus the organisation underspent by R4 090 million. This was due mainly to vacant positions, conference savings, cleaning and security costs, and procurement of ICT systems that were deferred to the next financial year.

Spending trends

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

	2015		2016		2017		2018		2019	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Income	45 172	5%	46 288	-5%	60 015	28%	60 099	-3%	56 997	-5%
Voted funds	44 230	5%	45 793	4%	58 220	21%	57 631	-1%	55 568	-4%
Other income	942	-1%	495	2%	1 795	72%	2 468	27%	1 428	-73%
Expenditure	52 424	17%	64 737	30%	49 750	11%	50 475	-1%	60 476	17%
Board members' remuneration	2 670	9%	3 182	16%	4 224	24%	3 759	-12%	3 501	-7%
Salaries	20 082	10%	20 877	4%	21 199	2%	26 607	20%	28 341	6%
Project expenses	2 620	-43%	3 526	27%	3 138	-12%	4 047	22%	4 355	7%
Lease payment	3 662	37%	3 830	4%	3 674	-4%	3 724	1%	3 965	6%
Publications	296	-109%	13 072	98%	83	-156%	405	80%	449	10%
Audit	1 075	14%	1 342	20%	1 560	14%	3 017	48%	2 291	-32%
Travel costs	4 451	21%	3 134	-42%	1 193	-163%	2 155	45%	1 969	-9%
Other operating expenses	17 628	38%	15 744	-12%	14 679	-7%	6 751	-174%	15 317	56%
Surplus/deficit for the period	(7 252)		(18 449)		10 269		9 634		(3 479)	

Capacity constraints and challenges

The MDB has experienced financial limitations since inception, which have limited the Board's ability to establish the ideal structure for its regionalisation strategy. Given its limited budget allocation, the MDB continues to experience capacity constraints and remains critically dependent on its key staff. Not only is suitable research expertise difficult to retain, but the specialist technical skill required is difficult to recruit. The MDB remains

under-capacitated and needs to recruit a significant number of experienced research and GIS personnel, which it cannot do due to financial constraints.

New activities

The MDB's future plans are included in the revised Strategic Plan for the fiscal years 2017 to 2021 and the APP for 2019/20, which are aligned with government priorities.

Request for rollover of funds

Request for retention of the R4 090 million underspending from the 2018/19 financial year was made in terms of Section 53(3) of the PFMA, 1999, to fund committed projects that could not be completed and were carried over to the 2019/20 financial year, and to use savings realised to fund public participation for the ward delimitation process.

Supply chain management (SCM)

Concluded unsolicited bid proposal for the year under review
None

SCM processes and systems in place

The institution has an SCM unit in the Finance Division, in accordance with the approved organisational structure.

Procurement activities are supported by three committees, namely 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 National Treasury's SCM prescripts.

Challenges experienced and resolved

The MDB incurred irregular expenditure of R130 000 discovered in the current financial year, which is disclosed in note 31 of the Annual Financial Statements. This related to publicising the 20-years conference in the Public Sector Manager magazine, which was confirmed without following proper SCM processes for R55 000, and an order for banners to the value of R75 000 which was placed before authorisation was granted.

Audit report matters in the previous year

	Matters raised by the Auditor-General in 2017/18	Management action implemented	Status (resolved, partially resolved or unresolved)
1.	Material misstatement in annual performance report	Misstatement corrected and controls improved to ensure accurate reported information.	Resolved
2.	Material misstatements on annual financial information reported	Misstatement corrected and controls improved to ensure accurate reported information.	Resolved
3.	Effective and appropriate steps not taken to prevent irregular expenditure	Controls improved to prevent recurrence.	Resolved

Plans to address financial challenges

The MDB has developed a funding strategy to secure additional funding to enhance financial sustainability by appraising National Treasury and the Portfolio Committee of the entity's financial constraints.

Events after the reporting date

Events after reporting date are events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorised for issue. The MDB has no events to disclose after the date of approval of the Annual Financial Statements.

Economic viability

The MDB remains resilient despite a limited budget allocation and is financially viable to carry out its mandate.

Acknowledgements

Generosity and oversight support of Board members have enabled the MDB to achieve its mandate for the determination of municipal boundaries. I would also like to thank all staff members for their contribution to the success of the MDB. The interest, contribution and support of all staff members, who, despite a demanding work schedule and competing priorities, have consistently acted in the best interest of the MDB, are highly appreciated. Finally, our appreciation goes to the stakeholders we serve, particularly local government, for their continued support.



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board

31 July 2019

3. REPORT OF THE EXTERNAL AUDITOR

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MUNICIPAL DEMARCATION BOARD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Municipal Demarcation Board set out on pages 60 to 83, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Demarcation Board as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal controls as the accounting authority determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Municipal Demarcation Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF REPORTED PERFORMANCE INFORMATION

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 - Demarcations	32
Programme 3 - Research and knowledge management	33 - 34
Programme 4 - Public participation, education and awareness	34

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:
- Programme 2 - Demarcations
 - Programme 3 - Research and knowledge management
 - Programme 4 - Public participation, education and awareness

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 28 to 34 for information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria
31 July 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting

in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipal Demarcation Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

PART G

ANNUAL FINANCIAL STATEMENTS





INDEX

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

Statement of Financial Position	62
Statement of Financial Performance	63
Statement of Changes in Net Assets	64
Cash Flow Statement	65
Accounting Policies	66
Notes to the Annual Financial Statements	73

The annual financial statements set out on pages 62 to 85, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 May 2019 and were signed on its behalf by:



Muthotho Sigidi
Chief Executive Officer

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note(s)	2019 R'000	2018 R'000
Assets			
Current Assets			
Inventories	3	250	207
Receivables from exchange transactions	4	335	306
Receivables from non-exchange transactions	5	106	121
Cash and cash equivalents	6	17 655	20 003
		18 346	20 637
Non-Current Assets			
Property, plant and equipment	7	2 073	3 306
Intangible assets	8	488	725
Warranties	9	17	22
		2 578	4 053
Total Assets		20 924	24 690
Liabilities			
Current Liabilities			
Operating lease liability	10	145	501
Payables from exchange transactions	11	3 187	3 574
Payables from non-exchange transactions	12	-	500
Provisions	13	986	398
		4 318	4 973
Non-Current Liabilities			
Operating lease liability	10	-	145
Total Liabilities		4 318	5 118
Net Assets		16 606	19 572
Accumulated surplus		16 606	19 572

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2019 R'000	2018 R'000
Revenue			
Revenue from exchange transactions			
Sale of goods		-	3
Interest received – investment	14	1 059	807
Total revenue from exchange transactions		1 059	810
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	15	55 568	57 631
Other non-exchange revenue		869	1 658
Total revenue from non-exchange transactions		56 437	59 289
Total revenue	16	57 496	60 099
Expenditure			
Employee Costs	18	(28 341)	(26 607)
Depreciation and amortisation	19	(1 782)	(2 000)
Other operating expenses	20	(7 091)	(4 728)
Administrative Costs	21	(23 262)	(17 084)
Total expenditure		(60 476)	(50 419)
Gain/(Loss) on disposal of assets	17	13	(46)
Surplus / (Deficit) for the period		(2 967)	9 634

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R'000	Total net assets R'000
Balance at 01 April 2017	9 939	9 939
Surplus / (Deficit) for the year	9 632	9 632
Total changes	9 632	9 632
Balance at 01 April 2018	19 573	19 573
Surplus / (Deficit) for the year	(2 967)	(2 967)
Total changes	(2 967)	(2 967)
Balance at 31 March 2019	16 606	16 606

CASH FLOW STATEMENT

	Note(s)	2019 R'000	2018 R'000
Cash flows from operating activities			
Receipts			
Government Grant Received		55 568	57 631
Interest received		962	693
Conditional Grant Received		-	500
Other Revenue		369	1 639
Other cash receipts		-	11
		56 899	60 474
Payments			
Cash paid to employees and suppliers		(58 954)	(48 874)
Net cash flows from operating activities	22	(2 055)	11 600
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(346)	(905)
Proceeds from sale of property, plant and equipment		57	76
Purchase of other intangible assets	8	(13)	(207)
Purchase of warranties		(8)	(25)
Other cash item		18	-
Net cash flows from investing activities		(292)	(1 061)
Net increase / (decrease) in cash and cash equivalents		(2 347)	10 539
Cash and cash equivalents at the beginning of the period		20 003	9 465
Cash and cash equivalents at the end of the period	6	17 656	20 004

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual 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. They are presented in South African Rand. The accounting policies are consistent with the previous period unless indicated otherwise.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, and are rounded to the nearest thousand (R'000).

1.2 Mergers

Definitions

The MDB shall correct material prior year errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- i) Restating the comparative amounts for the prior year(s) presented in which the error occurred; or
- ii) If the error occurred before the earliest prior year presented, restating the opening balances of assets, liabilities and accumulated surplus for the prior year presented.

1.3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The MDB 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 judgments include:

Impairment testing

The MDB reviews and tests the carrying value of non-cash generating 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 recoverable services amount for each group of assets.

Useful lives of property, plant and equipment and intangible assets

The MDB 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.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for administrative purposes, and are expected to be used during more than one period.

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.

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 de-recognised.

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 accumulated 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.

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.

1.5 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. Expenditure on research phase of an internal project is recognised as an expense when it is incurred.

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

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

ACCOUNTING POLICIES (continues)

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 9 years
Warranties	Straight line	1 - 5 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 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).

1.6 Financial instruments

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.

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 and cash equivalents;

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.

Classification

The MDB'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 at fair value.

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.

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.

Derecognition

Financial assets

The MDB derecognises financial assets using trade date accounting.

The MDB derecognises a financial asset only when:

- the MDB transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the MDB, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the MDB :

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

Financial liabilities

The MDB removes a financial liability (or a part of a financial liability) from its statement of financial position when it is

extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.7 Leases

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

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 is recognised as an operating lease asset or liability.

1.8 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.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

1.10 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 (continues)

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 25.

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.

1.11 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 is recognised when:

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

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

1.12 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 entity 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.

1.13 Comparative figures

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

1.14 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.

1.15 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.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end

and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

1.16 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, 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.

1.17 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.

ACCOUNTING POLICIES (continues)

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 2019 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related Parties	01 April 2019	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements	01 April 2019	Unlikely there will be a material impact
Grantor GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
GRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
GRAP 21: Impairment of Non-Cash Generating Assets	01 April 2019	Unlikely there will be a material impact
GRAP 26: Impairment of Cash-Generating Assets	01 April 2019	Unlikely there will be a material impact
GRAP 110: Living and Non-Living Resources	01 April 2020	Unlikely there will be a material impact
IGRAP 18: Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. INVENTORIES

	2019 R'000	2018 R'000
Inventories	250	207
Inventory reconciliation		
Opening Balance	207	200
Additions	111	131
Consumption	(68)	(124)
Total	250	207

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Staff advances	-	11
Interest income accrued	97	113
Prepaid expenses	238	182
	335	306

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Staff debtors	88	104
SARS - SDL	18	18
	106	122

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	3	3
Bank balances	99	58
Short-term deposits	17 553	19 942
	17 655	20 003

7. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 012	(1 388)	624	2 028	(1 267)	761
Motor vehicles	656	(447)	209	656	(388)	268
Office equipment	194	(157)	37	675	(584)	91
IT equipment	2 375	(1 311)	1 064	2 248	(756)	1 492
Leasehold improvements	2 558	(2 419)	139	2 558	(1 864)	694
Total	7 795	(5 722)	2 073	8 165	(4 859)	3 306

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	761	6	-	(143)	624
Motor vehicles	268	-	-	(59)	209
Office equipment	91	11	-	(65)	37
Computer equipment	1 492	329	(37)	(720)	1 064
Leasehold improvements	694	-	-	(555)	139
	3 306	346	(37)	(1 542)	2 073

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	940	32	-	(211)	761
Motor vehicles	328	-	-	(60)	268
Office equipment	145	11	-	(65)	91
IT equipment	1 550	808	(103)	(763)	1 492
Leasehold improvements	1 177	54	-	(537)	694
	4 140	905	(103)	(1 636)	3 306

Repairs and Maintenance

There were no repairs and maintenance done on Property, Plant And Equipment.

8. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 787	(1 299)	488	1 802	(1 077)	725

Reconciliation of intangible assets – 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	725	13	(7)	(243)	488

Reconciliation of intangible assets – 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	902	207	(18)	(366)	725

9. WARRANTIES

Warranties consist of the balance included in the purchase price of computer equipment. This balance is amortised monthly based on the useful life of the asset.

10. OPERATING LEASE LIABILITY (ACCRUAL)

	2019 R'000	2018 R'000
Non-current liabilities	-	145
Current liabilities	145	501
	145	646

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1 652	2 041
Leave Accrual	1 535	1 533
	3 187	3 574

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The impact of payables from exchange transactions is not likely to be material as trade payables are normal trading payables and the employees are unlikely to all resign at once resulting in leave payable becoming due.

12. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2019 R'000	2018 R'000
Government Grant	-	500

13. PROVISIONS

Reconciliation of provisions – 2019

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	398	986	(398)	986

Reconciliation of provisions – 2018

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	-	398	-	398

Performance bonus: Relates to bonuses for the year under review which have not yet been paid. The provision is based on management's best estimate of the anticipated performance of employees. Furthermore, the amount of the performance bonus is determined with reference to the salary scales as at the end of the financial year.

14. INTEREST RECEIVED

Interest revenue

	2019 R'000	2018 R'000
Bank	1 059	807

15. GOVERNMENT GRANTS

Operating grants

National Department of Cooperative Governance and Traditional Affairs	55 568	57 631
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16. REVENUE

Sale of goods - Maps	-	3
Bank Interest received	1 059	807
Government grants	55 568	57 631
Other non-exchange revenue	869	1 658
	57 496	60 099

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The amount included in revenue arising from exchanges of goods or services is as follows:

	2019 R'000	2018 R'000
Sale of goods - Maps	-	3
Interest received and other Income	1 059	807
	1 059	810

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants and subsidies	55 568	57 631
Other non-exchange revenue	869	1 658
	56 437	59 289

17. GAINS/(LOSS) ON DISPOSAL OF ASSETS

Insurance Proceeds	57	76
Loss on Disposal of Assets (PPE)	(44)	(104)
Loss on Disposal of Assets (intangibles assets)	-	(18)
	13	(46)

18. EMPLOYEE BENEFIT COSTS

Basic	18 211	17 752
Bonus	1 041	534
UIF	78	83
Leave Payments	325	343
Leave expenses	145	-
Travel, motor car, accommodation, subsistence and other allowances	156	198
Overtime payments	82	77
Other Non-Pensionable Allowance	7 485	6 919
Insurance cover	698	609
Other Salary Related Costs	120	92
	28 341	26 607

19. DEPRECIATION AND AMORTISATION

Computer software	242	366
Furniture and fixtures	142	210
Computer equipment	720	763
Leasehold improvements	555	537
Motor vehicles	59	59
Office equipment	64	65
	1 782	2 000

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

20. OTHER OPERATING EXPENSES

	2019 R'000	2018 R'000
Consumables	26	41
Courier and delivery charges	51	54
Licence renewal	951	655
Rental of building	3 965	3 724
Repairs and maintenance	129	155
Travel and accommodation	1 969	99
	7 091	4 728

21. ADMINISTRATIVE COSTS

Advertising	154	62
External Audit Fees	1 455	755
Internal Audit Fees	836	816
Bank charges	31	29
Conferences and seminars	1 346	46
Legal fees	2 163	419
Insurance	296	248
Printing and stationery	774	412
Telephone and fax	148	109
Publications, notices and gazettes	449	405
Employee training fees	353	303
Other consulting	4 017	2 660
Security services	847	885
Members' allowance	3 789	3 759
Stationery	152	121
Recruitment costs	29	71
Employee Assistance Programme	9	46
Project-related costs	4 355	4 047
Other expenses	2 059	1 891
	23 262	17 084

22. CASH (USED IN) GENERATED FROM OPERATIONS

	2019 R'000	2018 R'000
Surplus/(Deficit) Adjustments for: Depreciation and amortisation	(2 967)	9 634
	1 782	2 000
Gain/(Loss) on sale of assets	(13)	46
Movements in operating lease assets and accruals	(501)	(157)
Movements in provisions	588	398
Changes in working capital:		
Inventories	(43)	(7)
Receivables from exchange transactions	(29)	(276)
Receivables from non-exchange transactions	15	(13)
Payables from exchange transactions	(387)	475
Payables from non-exchange transactions	(500)	(500)
	(2 055)	11 600

23. FINANCIAL INSTRUMENTS

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	115	115
Cash and cash equivalents	17 655	17 655
	17 770	17 770

Financial liabilities

Payables from exchange transactions	1 652	1 652
-------------------------------------	-------	-------

2018

Financial assets

Receivables from exchange transactions	131	131
Cash and cash equivalents	20 003	20 003
	20 134	20 134

Financial liabilities

Payables from exchange transactions	2 041	2 041
Grant from CoGTA	500	500
	2 541	2 541

24. COMMITMENTS

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated etc.

	2019 R'000	2018 R'000
Operating leases – the Board as lessee		
Minimum lease payments due		
- within one year	2 713	3 705
- in second to fifth year inclusive	10 773	945
- later than five years	744	-
	14 230	4 650
Other commitments		
Approved and contracted: Other Operational Expenditure	4 306	14 714

The Board leases its office premises from a commercial property service provider for a period of 5 years, effective from 1 July 2014 and terminates on 30 June 2019. The Board has entered into a new lease agreement for a further 5 years with a 6% escalation. The lease will run from 1 July 2019 to 30 June 2024. Lease payments escalate by 8.90% annually and are payable monthly in advance.

The Board has entered into a new lease agreement for a further 5 years with a 6% escalation. The lease will run from 1 July 2019 to 30 June 2024

There is no option to purchase at the end of the lease term. Upon termination of the lease any improvements made to the premises by the entity shall belong to the lessor. No contingent rent is payable. The cost of the lease is straight-lined over the period of the lease.

25. CONTINGENT LIABILITIES

A case against the MDB has been opened with the CCMA by the former Executive Manager: Corporate Services. The Executive Manager's services were terminated and the matter is still before the CCMA. The possibility of a potential liability cannot be ascertained at the moment and cannot be reasonably estimated.

26. RELATED PARTIES

Relationships	
Non-Executive members	Refer to note 27
Members of Key management	Refer to note 27
Other entities in the public sphere	National Department of Cooperative Governance and Traditional Affairs Gauteng Department of Cooperative Governance and Traditional Affairs Government Printing Works Development Bank of Southern Africa

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
Related party transactions		
National Department of Cooperative Governance and Traditional Affairs	55 568	57 631
Gauteng Department of Cooperative Governance and Traditional Affairs	-	500
Government Printing Works	151	-
Development Bank of Southern Africa	100	-

27. EMOLUMENTS

Executive members 2019

	Emoluments	Total
Mr M Sigidi (CEO)	2 253	2 253
Mr A Ramagadza (COO)	1 350	1 350
Ms T Baadjie (CFO)	1 291	1 291
Adv T Mekuto (EMCS) (Terminated November 2018)	800	800
	5 694	5 694

Executive members 2018

	Emoluments	Total
Mr M Sigidi (CEO)	1 989	1 989
Mr A Ramagadza (COO)	1 196	1 196
Ms T Baadjie (CFO) (Appointed August 2017)	779	779
Mr N Patel (CFO) (Resigned April 2017)	117	117
Adv T Mekuto (EMCS)	1 156	1 156
Mr CE Moloto (Acting CFO – Apr to Aug 2017)	379	379
	5 616	5 616

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Non-executive members 2019

	Members' fees	Other fees	Total
Ms MJJ Thupana (Chairperson) (Term ended Feb 2019) (Reappointment as ordinary member)	1 505	-	1 505
Mr AM Adam (Deputy Chairperson) (Term ended Feb 2019)	265	14	279
Mr LD Tsotetsi (Term ended Feb 2019)	181	14	195
Prof IE Konyyn (Term ended Feb 2019)	226	14	240
Mr MM Wildebees (Term ended Feb 2019)	356	14	370
Mr S Dzungwa (Resigned Sep 2018)	224	11	235
Ms SD Wiggins (Term ended Feb 2019)	297	14	311
Ms MS Mooki (Term ended Feb 2019) (Reappointment as ordinary member)	303	14	317
Mr D Coovadia (Chairperson: Audit and Risk Committee)	186	-	186
Mr TM Manyoni (Chairperson)	146	5	151
	3 689	100	3 789

Non-executive members 2018

	Members' fees	Other fees	Total
Ms MJJ Thupana (Chairperson)	1 555	-	1 555
Mr AM Adam (Deputy Chairperson)	285	6	291
Mr LD Tsotetsi	157	6	163
Prof IE Konyyn	296	6	302
Mr MM Wildebees	284	6	290
Mr S Dzungwa	283	6	289
Ms SD Wiggins	304	6	310
Ms NZH Mpofu (Resigned July 2017)	22	2	24
Ms MS Mooki	291	6	297
Mr D Coovadia (Chairperson : Audit and Risk Committee)	238	-	238
	3 715	44	3 759

Non-executive members' Details

Remuneration of Non-Executive members is determined by the Minister of Finance.

The term of the old Board ended in February 2019 and the new Board started in March 2019 with a new Chairperson.

The Chairperson is employed full time and runs an office at the MDB, thus his/her fees are significantly higher than for other non-executive members.

Remuneration of management is determined by the Non-Executive members.

Remuneration of independent member(s) of the Audit and Risk Committee is determined by the Non-Executive Members 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.

28. CHANGE IN ESTIMATES

Property, plant and equipment

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

	2019 R'000	2018 R'000
Depreciation: PPE		
According to initial estimated useful life	(736)	(9)
According to re-estimated useful life	(543)	(93)
	(193)	(102)

29. RISK MANAGEMENT

Financial risk management

The entity's activities exposes it to liquidity risk, interest rate risk and market 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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

At 31 March 2019	Carrying Amount	Due within 1 year	Due between 1 and 5 years
Payables from exchange transactions	1 652	1 652	-

At 31 March 2018	Carrying Amount	Due within 1 year	Due between 1 and 5 years
Payables from exchange transactions	2 041	2 041	-

Interest rate risk

Cash and cash equivalents are interest-bearing assets, which are affected by the change in interest rates. Other financial assets and financial liabilities are not affected by the change in market interest rates.

30. FRUITLESS AND WASTEFUL EXPENDITURE

	2019 R'000	2018 R'000
Opening balance	-	19
add: Fruitless and wasteful expenditure	4	1
Amount written-off	-	(19)
Amount recovered	-	(1)
	4	-

Fruitless and Wasteful expenditure of R3 026.32 relates to errors in the printing of notices and R833.00 relating to accommodation which was booked but never used. The matters have been submitted to the CEO for consideration and further action.

31. IRREGULAR EXPENDITURE

	2019 R'000	2018 R'000
Opening balance	20 250	3 210
Add: Irregular Expenditure – current year	130	5 273
Add: Irregular Expenditure – current year (Prior year non-compliance)	6 945	-
Less: Amounts condoned	(1 121)	-
Add: Irregular Expenditure – relating to prior years	-	11 767
	26 204	20 250

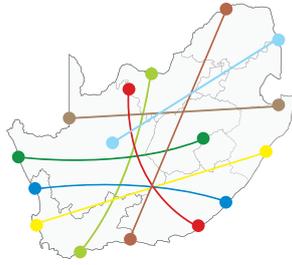
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Details of irregular expenditure – current year

Detail	Disciplinary steps taken/criminal proceedings	Amount
Order was placed before authorisation was approved	Investigation in progress. Employee no longer employed by MDB	75
User gave service provider a go-ahead to proceed with the work before SCM processes were finalised	No action taken to date. Employee no longer employed by MDB	55
		130

Details of irregular expenditure condoned

Details	Condoned by (condoning authority)	Amount
Acting Allowance paid to official	Board	44
Appointment of service provider without following competitive bidding even though it was practical to do so	National Treasury	1 077
		1 121



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