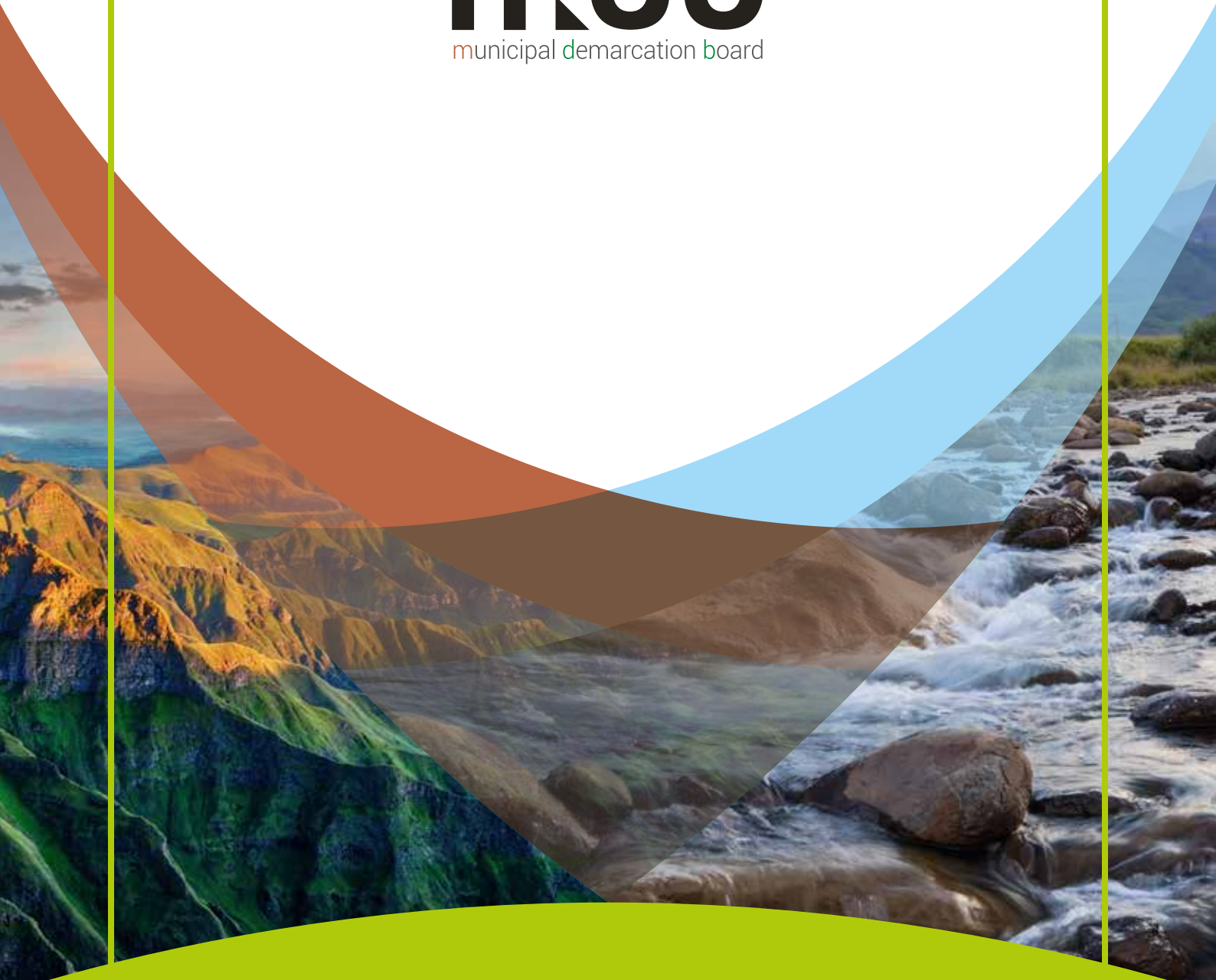


mdb
municipal demarcation board



ANNUAL REPORT
2019 | 2020



TABLE OF CONTENTS

PART A: GENERAL INFORMATION	04
1. ADMINISTRATION AND CORPORATE INFORMATION	05
2. LIST OF ABBREVIATIONS/ACRONYMS	05
3. STRATEGIC OVERVIEW	06
4. LEGISLATIVE AND OTHER MANDATES	06
5. ORGANISATIONAL STRUCTURE	07
6. FOREWORD BY THE CHAIRPERSON	08
7. CHIEF EXECUTIVE OFFICER'S OVERVIEW	10
8. PERFORMANCE SNAPSHOT	14
9. MDB IN THE NEWS	16
PART B: ACHIEVEMENT HIGHLIGHTS	22
1. WARD DELIMITATION FOR THE 2021 LOCAL GOVERNMENT ELECTIONS	23
2. MUNICIPAL OUTER-BOUNDARY RE-DETERMINATION	27
3. RESEARCH AND KNOWLEDGE MANAGEMENT	27
PART C: PERFORMANCE INFORMATION	30
1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION	31
2. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES	31
3. OVERVIEW OF PERFORMANCE	32
4. PERFORMANCE INFORMATION BY PROGRAMME	32
5. SUMMARY OF FINANCIAL INFORMATION	38
PART D: GOVERNANCE	40
1. INTRODUCTION	41
2. PORTFOLIO COMMITTEE	41
3. THE BOARD	41
4. RISK MANAGEMENT	44
5. INTERNAL CONTROL	44
6. INTERNAL AUDIT AND AUDIT COMMITTEE	44
7. COMPLIANCE WITH LAWS AND REGULATIONS	45
8. FRAUD AND CORRUPTION	45
9. MINIMISING CONFLICT OF INTEREST	45
10. CODE OF CONDUCT	45
11. COMPANY SECRETARY	45
12. AUDIT AND RISK COMMITTEE REPORT	46
PART E: HUMAN RESOURCE MANAGEMENT	48
1. INTRODUCTION	49
2. HUMAN RESOURCES OVERSIGHT STATISTICS	49
PART F: FINANCIAL INFORMATION	54
1. STATEMENT OF RESPONSIBILITY	55
2. REPORT OF THE CHIEF EXECUTIVE OFFICER	56
3. REPORT OF THE EXTERNAL AUDITOR	58
PART G: ANNUAL FINANCIAL STATEMENTS	62



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 of South Africa
Bankers	ABSA Bank Limited
Company Secretary	Advocate Kgabo Gabriel Mapotse

The 2019/20 MDB Annual Report is also available on www.demarcation.org.za.

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
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
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
FFC	Financial and Fiscal Commission
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
HSRC	Human Sciences Research Council
IEC	Independent Electoral Commission
ICT	Information and Communications Technology
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
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act 1 of 1999
SALGA	South African Local Government Association
SCM	Supply Chain Management

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;
- 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:

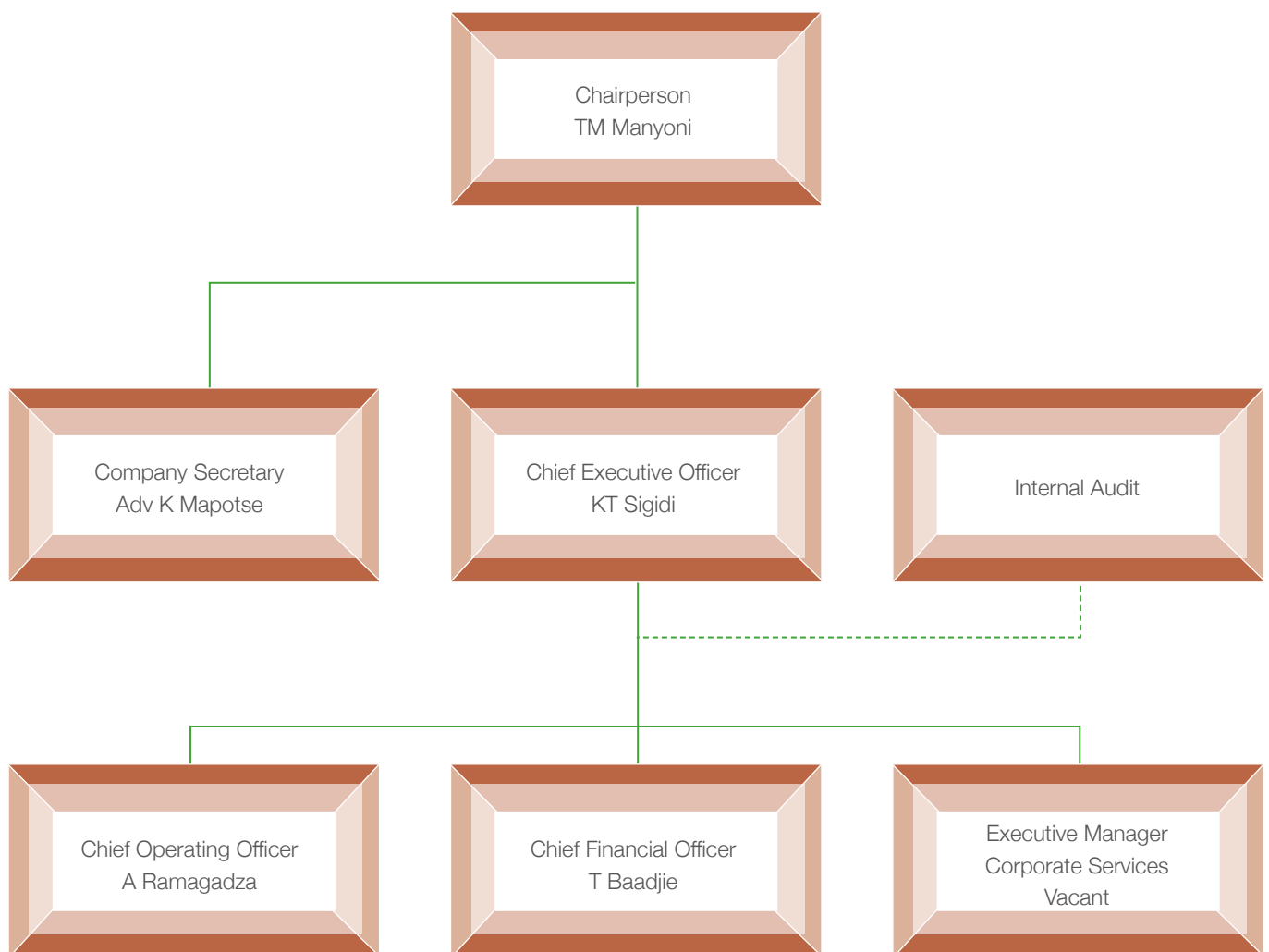
- Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Demarcation Act 27 of 1998 (MDA)
- Local Government: Municipal Structures Act 117 of 1998 (MSA)
- Local Government: Municipal Systems Act 32 of 2000
- Generally Recognised Accounting Practice (GRAP)
- Income Tax Act 58 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 first year of the five-year term of the current Board ended on 1 March 2020. As we look into the year ahead, it gives me immense pleasure to present the 2019/20 Annual Report of the Board, which is a reflection of key milestones achieved amid challenges facing the organisation.

With the current leadership, we have garnered collective wisdom to reignite the role of the organisation towards meaningful spatial transformation in local government as espoused in the National Development Plan (NDP).

During the year under consideration, the MDB crafted a new strategy to realign the vision of the organisation and reposition it towards a new and bold direction in fulfilling its mandated constitutional responsibilities. This strategy has been canvassed with key partners and stakeholders of the organisation and it is well supported. This gives us some comfort that our strategy is commensurate with the national spatial transformation agenda and plans.

‘With the current leadership, we have garnered collective wisdom to reignite the role of the organisation towards meaningful spatial transformation in local government as espoused in the National Development Plan.’

We have strengthened relations with important stakeholders, including the public. We will work tirelessly to build relations with key strategic partners as we jointly seek appropriate responses to socio-economic challenges facing the local government sector.

Significant public consultation and extensive stakeholder engagements were initiated, enhancing participation in our programmes and greater knowledge and understanding of the processes of the organisation. On 24 May 2019, the MDB convened a roundtable discussion themed ‘Defining the future of demarcation and the role of the MDB’. The event provided a platform for key actors in the local government sector to engage on strategic policy issues that have a bearing on the MDB’s mandate and role in the spatial transformation agenda.

We are grateful for the cooperation during 2019/20 of our key partners and stakeholders — in particular the Independent Electoral Commission (IEC), South African Local Government Association (SALGA), the Department of Cooperative Governance and Traditional Affairs (CoGTA), provincial departments of local government and municipalities — during the implementation of one of our flagship programmes, namely ward delimitation.

The IEC timeously provided the complete common voters roll and voting districts and, in July 2019, the Minister gazetted the formula for the number of councillors of municipal councils, which allowed MECs for local government to determine and publish between August and September 2019 the number of councillors in all municipalities. Having received published gazettes from MECs, the MDB began arrangements for the fifth ward delimitation process for the 2019/20 period as part of its role and contribution to democracy and the upcoming local government elections in 2021. The MDB previously raised key concerns over the impact of the formula on the configuration of wards if it remains unchanged. Consequently, this led to MEC deviations limited to maintaining the current status quo and effecting minimal changes to the number of councillors published.

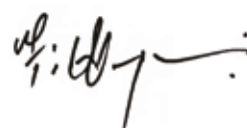
In January 2020, the Board launched the nationwide ward delimitation campaign, including the draft set of wards and the MDB’s readiness for the upcoming local government elections. The launch was part of the organisation’s efforts to harness public and stakeholder consultation and participation.

At the start of public consultations on wards in February 2020, the MDB faced a number of outer-boundary and ward-related challenges, including violent protests in certain municipal areas. In Mbombela, in particular, communities aligned to former Umjindi Municipality expressed their unhappiness with the decision to incorporate Umjindi into Mbombela. The Board noted, through submissions received, the concerns of the community and formally advised interested stakeholders to submit the matter for consideration when the outer-boundary re-determination process reopens after local government elections in 2021.

With the declaration of a national disaster on 15 March 2020 and the lockdown announced by the President a week later, the MDB, in consultation with key stakeholders, revised its public consultation programme in line with national directives to curb the spread of Covid-19. Physical meetings were suspended and virtual consultations introduced. Timeframes were revised for submission of final wards to the IEC.

During 2020/21, MDB will conclude the remaining work on the delimitation of wards and hand over final wards to the IEC in November 2020. Immediately after the elections in 2021, we will start outer-boundary re-determinations. Throughout the implementation of these programmes, we will continue to create an environment for continuous consultation and engagement with communities and our key stakeholders.

Finally, we have taken stock of lessons learnt and challenges encountered during the year under review, which I am confident are preparing us for a much better and greatly improved role ahead. I thank the previous Board for the great foundation it has built for this organisation, the current Board for its commitment and determination to make this organisation work and, finally, the executive management and staff for the achievements of the past year. I thank you all.



Thabo Manyoni
Chairperson
Municipal Demarcation Board
30 September 2020



7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

It is my honour and privilege to present the 2019/20 Annual Report to our stakeholders. The year under review started on a high note as the MDB welcomed the new Board appointed by the President. The new mix of skills at the helm gave the organisation renewed energy.

Strategically, the new Board was tasked with mapping the strategy for the next five years and with defining its role within the ever-changing and fluid local government environment. The mandate, however, remained delimitation of all municipal wards to prepare for local government elections.

'I express my gratitude to the management team, staff and support personnel for their commitment when some had to spend weeks away from their loved ones and families as they traversed the country to ensure community and municipal input to ward delimitation processes.'

Highlights

The MDB maintained an unqualified audit opinion with no findings (a clean audit) from the Auditor-General of South Africa (AGSA) for the second year in succession.

With our Administration programme reaching the pinnacle of its performance, our core teams diligently set about creating draft wards and preparing information packs for municipalities for consultation sessions that started in February 2020. These consultation sessions had to be suspended in mid-march 2020 due to the national state of disaster declared to curb the spread of the Covid-19 virus. Two of our longstanding projects, norms and standard reports for municipal powers and functions, and spatial descriptions for municipal outer-boundaries, continued unabated and will do so until completed in 2020/21 and 2021/22 respectively. Further, valuable partnerships were established with the Government Communication and Information System, CoGTA and the National House of Traditional Leaders to further our commitment to effective communication and stakeholder participation, specifically public participation in our demarcation processes.

Achievements

Despite still experiencing severe financial constraints, the MDB remained focused on achieving the objectives of its Annual Performance Plan (APP). After previously reporting a substantial increase in our performance of 89% in 2017/18 and 96% in 2018/19, our performance regressed marginally to 95% in 2019/20. However, this was due to the indicator for public consultation with municipalities on ward delimitation, which had to be suspended due to Covid-19.

Information on our delimitation process was shared with Ministers and Members of the Executive Council (MinMEC), houses of traditional leaders, provincial party liaison committee meetings and various SALGA governance forums. In addition, media campaigns were run during the year. Consultations with municipalities and communities on wards for the 2021 local government elections started in earnest in February 2020, with teams from our Core Operations Division set to consult with all municipalities until May 2020.

Valuable insights were gained from public consultations. A lesson learnt was that reliance on municipalities to provide venues and other logistics for the MDB resulted in meeting halls not prepared, venues often changed at the last hour, information on draft wards not distributed and poor attendance from municipal officials. In some areas, community members used the ward sessions to complain about poor service delivery and some raised outer-boundary re-determination issues. A few meetings disintegrated into chaos and, in one case, MDB employees were held hostage to highlight local government inefficiencies. In other areas, meetings were well attended, orderly and produced valuable contributions. Appreciation was expressed to the MDB for holding the sessions, sharing information and allowing inputs from participants on ward delimitation.

The MDB partnered with Human Sciences Research Council (HSRC) to conduct two research seminars. The first seminar critically analysed the 2018 MDB capacity assessments, and the second examined the impact of amalgamations on service delivery, focusing on the case of Kagisano-Molopo Local Municipality and Mangaung Metropolitan Municipality.

To maintain performance, 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 internal compliance, financial and risk management, and information and communications technology (ICT) governance are addressed.

Plans

The 2019/20 financial year was the first year in office for the new Board. A new strategic direction was chartered to realign the vision of the organisation and reposition it for a new, bold direction in fulfilling its mandated constitutional responsibilities. Over the next five years, the MDB plans to build strategic partnerships to expand the body of knowledge in strategic research, spatial data analysis and information development to enable proficient advisory services. Following past successes, the MDB will continue to advance and expand stakeholder awareness, understanding and knowledge of demarcation matters to ensure meaningful stakeholder and public participation in its processes.

Challenges

During the year under review, the MDB reprioritised savings towards partial implementation of the job evaluation conducted in 2016. Discussions with National Treasury resulted in the baseline allocation of the MDB being adjusted to fully implement job evaluation from April 2020. However, the MDB is not sufficiently funded to establish a regional footprint and is actively working towards establishing localised contact to develop a wider reach. The need for regional representation became evident when the national state of disaster was declared and MDB could not engage with stakeholders even when the National Coronavirus Command Centre moved to level 4.

Acknowledgements

My appreciation goes to the Chairperson and Board members, whose leadership guided us during this year, especially in the design of the new path for the MDB. I express my gratitude to the management team, staff and support personnel for their commitment when some had to spend weeks away from their loved ones and families as they traversed the country to ensure community and municipal input to ward delimitation processes.

Lastly, I acknowledge the members of the Portfolio Committee for their continued oversight. Their ongoing support will be crucial as we endeavour to realise our envisaged strategy for 2025.



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board

30 September 2020



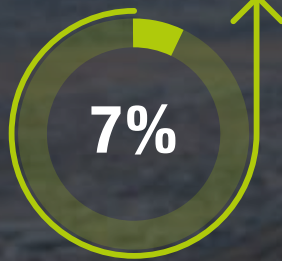
PERFORMANCE SNAPSHOT

PERFORMANCE INFORMATION

2018/19

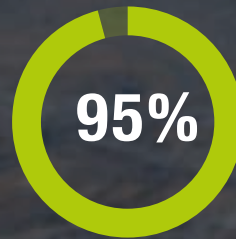


ACHIEVED

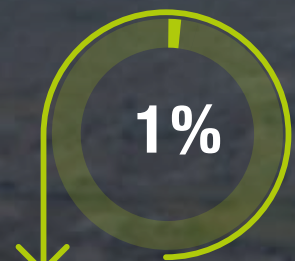


INCREASE IN
ACHIEVEMENT
OF PLANNED
DELIVERABLES

2019/20



ACHIEVED



DECREASE IN
ACHIEVEMENT
OF PLANNED
DELIVERABLES

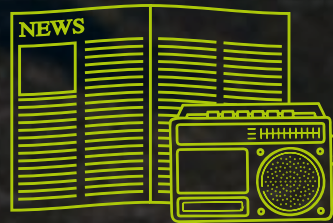


CLEAN AUDIT ACHIEVED IN 2018/19 AND 2019/20

WARD DELIMITATION

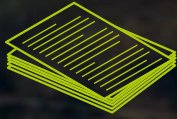


109 MUNICIPALITIES CONSULTED ON FIRST DRAFT WARDS BY NATIONAL LOCKDOWN



EXPANDED MEDIA COMMUNICATION TO INFORM STAKEHOLDERS OF WARD DELIMITATION AND FIRST DRAFT WARDS IN EASTERN CAPE, KWAZULU-NATAL, MPUMALANGA, WESTERN CAPE

RESEARCH



2

RESEARCH REPORTS PRODUCED



2

RESEARCH SEMINARS CONDUCTED

MINIMUM NORMS AND STANDARDS FOR MUNICIPAL CAPACITY



24

24 REPORTS COMPILED ON MINIMUM NORMS AND STANDARDS FOR MUNICIPAL CAPACITY

SPATIAL BOUNDARY DESCRIPTIONS



199

SPATIAL BOUNDARY DESCRIPTIONS COMPLETED FOR 199 MUNICIPALITIES

BUSINESS DAY

17 MARCH 2020

MUNICIPAL DEMARCATION BOARD HALTS MEETINGS TO DRAFT 2021 WARDS DUE TO COVID-19

BY CLAUDI MAILOVICH

The consultations on the draft wards are a critical part of the process in preparation for the 2021 local government elections



Picture: AFP/ RODGER BOSCH

The Municipal Demarcation Board (MDB) has suspended its remaining consultation meetings with communities because of the Covid-19 pandemic.

The consultations on the draft wards are a critical part of the process in preparation for the 2021 local government elections. The board announced in January that a public consultation process would take place on the draft ward proposals from February to April in all SA's provinces, and that the wards would be finalised by July before being handed over to the Electoral Commission of SA (IEC) in August.

The MDB said on Tuesday that the decision was in line with Ramaphosa's directive on Sunday prohibiting the gathering of more than 100 people at any given time.

Scheduled meetings from March 18 to April 9 have been suspended with immediate effect, the board said.

Consultations are expected to resume from April 14. The board said members of the public were still encouraged to put forward written submissions by the end of April.

"It is our responsibility to take all necessary measures as a collective to curb the spread of the virus; hence, we are suspending all outstanding public sessions. We further encourage communities to learn more about the virus to protect themselves," board chair Thabo Manyoni said.

While the virus has caused havoc across the globe, it has also resulted in the IEC approaching the electoral court urgently to postpone scheduled municipal by-elections. The affected by-elections were scheduled for May.

The most critical by-election expected to take place in 2020 would arguably be that of the Tshwane metro. The entire council was dissolved following months of political instability. Although the council's dissolution is yet to kick in, the metro will have 90 days from the date of dissolution to hold new elections, according to the law.

On Monday, the IEC said in a statement that the decision to approach the court was part of a bid to curb the spread of the coronavirus, as the election process involved "relative close physical contact" between officials and voters. This included the exchange of ballot papers and the inking of thumbs.

"At the end of the voting process, ballot papers must also be counted. Where an infected voter has handled a ballot, indications are that active viruses will last for at least 10 hours. This will be yet another opportunity for cross infection of officials conducting the counting process," the IEC said on Monday.

The electoral court has yet to make a ruling on the application.

KEMPTON EXPRESS

08 MARCH 2020

NEW WARDS BEING DELIMITED FOR UPCOMING LOCAL ELECTIONS

The session for the City of Ekurhuleni will take place on March 12.



Public consultation sessions on the draft electoral wards in Gauteng

Public consultation sessions on the draft electoral wards in Gauteng will commence on March 12. The session for the City of Ekurhuleni will take place on March 12 at Alberton Civic Centre at 9am.

Wards are delimited in all metropolitan and local municipalities to lay a foundation for the delivery of free and fair local government elections in 2021.

Subsequent to the public consultation sessions, the municipal demarcation board (MDB) will consider all public proposals received and delimit wards. The wards will be published in provincial gazettes for objections by May 2020.

Any aggrieved person will have 14 days to object.

The MDB will consider all objections and publish its final decisions in provincial gazettes by July 2020. It will then hand over the final ward boundaries to the Electoral Commission of South Africa (IEC) in August 2020 to start preparing for the 2021 local elections.

The MDB encouraged citizens to seize this opportunity to express their views on how their wards should be configured. Communities and municipalities are encouraged to consult among themselves and reach a consensus.

Their proposal should be aligned to the criteria for ward delimitation. They can then present their proposal when the MDB meets with them. However, they can still do so in writing after the sessions by not later than April 30.

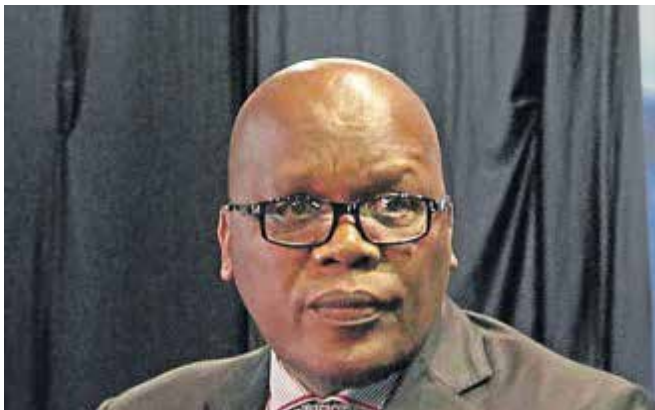


DISPATCH LIVE

20 FEBRUARY 2020

EASTERN CAPE COULD HAVE FIVE MORE WARDS FOR 2021 ELECTIONS

By Soyiso Maliti



BCM Executive Mayor Xola Pakati

The Eastern Cape is likely to have five more wards in the 2021 local government elections, the municipal demarcation board has said.

The province had 705 wards, which the municipal demarcation board is anticipating will likely increase to 710.

This, board spokesperson, Barileng Dichabe said, was due to trends which showed that, with every municipal poll, the Eastern Cape had more wards.

Dichabe was speaking to the Daily Dispatch as the demarcation board has embarked on public consultations to ascertain whether the existing wards should be configured ahead of the 2021 polls.

“The process is to obtain inputs from communities on how their wards should be configured,” she said.

The process is typically a messy one with residents refusing to be demarcated to other wards.

However, CEO Muthotho Sigidi said this was unavoidable as they could not have “illegal wards”.

A ward becomes illegal when it has numbers significantly higher than the norm.

But Dichabe said if such instances were to unfold, the demarcation board would return to the ward to find solutions.

She said the “norm average” of a ward was equal to the number of registered voters in the municipality divided by the number of wards in the municipality.

“If the municipality in Raymond Mhlaba has 82,162 registered voters and 23 wards, the norm is 82 162 divided by 23, which equals 3,572.”

She said in this scenario 15% below norm was 3,036, while 15% above norm was 4,108.

“Thus, a municipal ward may have any number of registered voters between 3,036 and 4,108.”

The delimiting process was disrupted in Buffalo City Metro by an unrelated service delivery protest at the East London City Hall.

Sigidi said residents had demanded that the process take place in several venues and not just the City Hall, which Sigidi said would not be possible.

“Where there are disruptions, we’ve told people that if they disrupt this process, we are not going to go back there and are going to publish the numbers [as they are] in May for comment.”

BCM spokesperson Samkelo Ngwenya referred queries to mayor Xola Pakati’s spokesperson, Luzuko Buku, who said he was out of town.

The consultative meetings in the Eastern Cape will be wrapped up on March 3 in Libode.

Sigidi said they would consolidate submissions from the Eastern Cape in April and would only be able to tell then whether there were illegal wards.

24 JANUARY 2020

BOUNDARY DISPUTES POSTPONED UNTIL AFTER 2021 LOCAL GOVERNMENT ELECTIONS

By **Baldwin Ndaba**



Thabo Manyoni, Municipal Demarcation Board chairperson File picture: Motshwari Mofokeng African News Agency (ANA)

Cape Town – The Municipal Demarcation Board (MDB) said it would only deal with municipal boundary disputes – which nearly collapsed the 2016 local government elections in Vuwani, Limpopo, and other areas – after the 2021 local government elections.

The MDB, under Thabo Manyoni, former mayor of Mangaung Metro, Bloemfontein, made the announcement yesterday during the board's revelation of its readiness for the upcoming elections.

Manyoni and MDB's chief executive, Muthotho Sigidi, confirmed that boundary disputes have been lodged in Limpopo, North West, KwaZulu-Natal and the Eastern Cape.

"Some of the disputes really revolve around certain municipalities wanting to be merged with a particular municipality for greener pastures.

"So it is incumbent upon us to ensure that all local and metro municipalities deliver services to the people to avoid these disputes," Manyoni said.

He singled out the JB Marks Local Municipality, a merger between Ventersdorp Local Municipality and the Tlokwe Local Municipality in Potchefstroom.

According to Manyoni, Ventersdorp wants to break away from the JB Marks Municipality.

"In 2018, the MDB concluded the municipal boundary redetermination process. In the period between 2019 and 2021, the MDB will not conduct any municipal boundary redetermination until after the 2021 local government elections.

"That will allow the MDB time to delimit wards and the Electoral Commission (IEC) to prepare for those elections," the MDB said.

The MDB made the ruling despite their own findings in March 2018 that residents of Vuwani in Limpopo were vehemently opposed to the merger of Thulamela Local municipality in Malamulele and Makhado Local Municipality in the Vhembe District.

The merged municipality was later named Collins Chabane Local Municipality – the late Chabane was the former minister of public service and administration under then president Jacob Zuma.

Violence broke out following the announcement of the merger ahead of the 2016 local government elections.

Yesterday, however, the MDB announced its nationwide public consultations on the new draft sets of electoral wards ahead of the 2021 local government elections. All municipalities have seen an increase in the number of wards.

MDB board deputy chairperson Mbalu Myeni said: "During the 2016 local elections there were 4392 wards in the country, but there are now an additional 76 wards, bringing the total of wards to 4 468 for the 2021 local government elections."

Myeni said they were calling on members of the public to actively participate and express their views on how their wards should be configured.

"As one of the core mandates of the organisation, the ward delimitation process is regarded as a crucial step towards deepening local democracy and promoting spatial transformation within communities," Myeni said.

She said consultation processes would be held from next month until the end of April.

"After the public meetings, the MDB will consider all public proposals received and delimit wards. The wards will be published in provincial gazettes for objections by May this year.

"Any aggrieved party will have 14 days to object," Myeni said.

PRETORIA REKORD

11 JUNE 2019

SPADEWORK FOR 2021 LOCAL ELECTIONS GETS UNDERWAY

The community is urged to partake in the municipal demarcation process.

By Marizka Coetzer



The municipal demarcation board has invited the community to participate in the ward delimitation in preparation of the 2021 local government elections.

The delimitation kicked-off with an awareness and an education campaign to prepare the public for participation.

“The campaign will conclude at the end of June. The public consultation will commence in January 2020 where communities will be requested to submit inputs,” demarcation board CEO Muthotho Sigidi said.

There are four important steps before ward delimitation may commence:

Step 1: The IEC provides and certifies the voters roll.

Step 2: The minister of co-operative governance and traditional affairs outlines the formula for determining the number of councillors for all the municipalities in each province.

Step 3: MEC applies the delimitation criteria to determine wards which include the average number of registered voters allowed in each ward in a municipality.

That is obtained by dividing the total number of wards by total number of registered voters in a municipality.

The demarcation board is allowed to deviate from the norm by 15 percent either way.

Step 4: The board will then divide the number of councillors in a municipality by two to get the number of wards a municipality can have, that will then kick-start the ward delimitation.

The process results in suggested wards being published to the affected residents for their comment.

“The focus of the campaign is the ward delimitation process. The municipal outer-boundary determination process will commence after the 2021 local government elections. The public can send proposals on the municipal boundary re-determination, post the local government elections,” Sigidi said.

To participate in the ward delimitation process contact info@demarcation.org.za or phone 012-342-2481 for more information.



PART B

ACHIEVEMENT HIGHLIGHTS



1. WARD DELIMITATION FOR THE 2021 LOCAL GOVERNMENT ELECTIONS

The municipal boundary re-determination process concluded in 2018, enabling the MDB to focus on delimiting wards in 2019 and 2020 for the 2021 local government elections.

In the 2018/19 financial year, the MDB started the ward delimitation education and awareness programme to empower councillors, community development workers, municipal officials and interested organisations on the intricacies of the ward delimitation process. The first round of the programme covered all local and metropolitan municipalities in the Eastern Cape, Free State, KwaZulu-Natal, Mpumalanga and North West provinces.

In the 2019/20 financial year, the programme was taken to local and metropolitan municipalities in Gauteng, Limpopo, Northern Cape and Western Cape. The number of municipalities targeted for this period was 82, and 79 municipalities were covered.

To enhance education and awareness of demarcation processes, the MDB presented its ward delimitation programme to MinMECs, technical MinMECs, provincial houses of traditional leaders, provincial party liaison committee meetings and various SALGA forums.

On 5 July 2019, the Minister for Cooperative Governance and Traditional Affairs published the formula for determination of the number of councillors. Using this formula, MECs responsible for local government published in August and October 2019 the number of councillors per municipality. The publications were as follows:

Province	Date	Gazette
Eastern Cape	27 August 2019	4296/243
Free State	30 August 2019	59/82
Gauteng	13 September 2019	285/1403
KwaZulu-Natal	13 September 2019	2118/121
Limpopo	20 August 2019	3021/113
Mpumalanga	20 August 2019	3070/110
North West	26 July and 21 August 2019	8043/139 and 8051/165
Northern Cape	20 September and 3 October 2019	2297/100 and 2301/109
Western Cape	20 August 2019	8137/85

The table below indicates the number of councillors published by MECs for municipalities in their respective provinces.

2021 Local Government Elections				
Province	Category A	Category B	Category C	Total
Eastern Cape	220	1 187	245	1 652
Free State	101	527	128	756
Gauteng	708	347	93	1 148
KwaZulu-Natal	222	1 541	354	2 117
Limpopo	-	1 125	254	1 379
Mpumalanga	-	793	171	964
North West	-	798	183	981
Northern Cape	-	438	115	553
Western Cape	231	556	139	926
Total	1 482	7 312	1 682	10 476

After the publication of the number of councillors, it is the responsibility of the MDB to calculate the number of wards per municipality. The number must be equal to 50% of the number of councillors published, with odd numbers rounded up.

The number of wards compared to that for the previous local government elections is as follows:

Province	Local government elections				
	2000	2006	2011	2016	2021
Eastern Cape	601	636	715	705	710
Free State	291	300	317	309	319
Gauteng	446	423	508	529	529
KwaZulu-Natal	748	771	828	870	901
Limpopo	437	513	543	566	568
Mpumalanga	401	365	402	400	400
North West	338	365	383	407	403
Northern Cape	162	174	194	204	232
Western Cape	330	348	387	402	406
TOTAL NUMBER OF WARDS	3 754	3 895	4 277	4 392	4 468

The MDB uses the number of wards to calculate the norm (average number of voters per ward per municipality) and the 15% variance to the norm. These norms and variances are inserted into a ward size table used during the delimitation of wards.

During September and October 2019, the MDB convened technical consultation sessions with all local municipalities to delimit draft wards. These sessions were convened at district municipality level with all local municipalities invited. Of the 213 municipalities targeted, 190 municipalities attended. The sessions allowed the municipalities' planning and geographic information system (GIS) officials to assist the MDB in delimiting draft wards for their municipalities and to address geographic challenges with the wards used in 2016. The 23 municipalities that did not attend the sessions were given until 29 November 2019 to submit written proposals for their draft wards.

In December 2019, the MDB finalised the 4 468 draft wards, on which it was to conduct public consultation between February and April 2020.

Public meetings were planned in all 213 municipalities that qualified to have wards. Of these, 128 public meetings were to be conducted between February and 31 March 2020 in Eastern Cape, KwaZulu-Natal, Mpumalanga, Gauteng and Western Cape, with the remainder concluded in April 2020. The sessions would allow stakeholders, members of public and other interested parties to comment on the draft wards.

The MDB created ward delimitation information packs on memory sticks, which were distributed to the 213 municipalities in January 2020.

The information packs consisted of:

- The 2016 ward map for the municipality;
- The 2019 voting district map for the municipality;
- A list of the 2019 voting districts with registered voters;
- A 2021 draft ward map for the municipality;
- Maps and schedules for all draft wards per municipality;
- Gazettes published by the Minister and MECs;
- A PowerPoint presentation for public consultations;
- Ward size tables showing the number of wards, the norm, the minimum and the maximum allowed in each ward per municipality;
- A ward delimitation process booklet;
- Ward submission forms; and
- A sample of the Government Gazette to be published for wards.

On 15 March 2020, as the public consultation process was underway, the President declared a national state of disaster to curb the spread of Covid-19, banning all public gatherings of more than 100 persons. The MDB suspended some of the public consultation sessions. By this date, 109 sessions out of the scheduled 128 had been concluded. Soon thereafter, the President declared a nationwide lockdown for 21 days starting at midnight on 26 March 2020, which forced the MDB to indefinitely suspend all remaining sessions.

The status of public consultations at 26 March 2020 was as follows:

Province	Number of public meetings planned	Number of meetings convened	Number of meetings suspended
Eastern Cape	33	30	3
Free State	19	-	19
Gauteng	9	1	8
KwaZulu-Natal	44	37	7
Limpopo	22	-	22
Mpumalanga	17	17	-
North West	18	-	18
Northern Cape	26	-	26
Western Cape	25	24	1
TOTAL	213	109	104

In the light of previous public misconceptions that the MDB does not provide adequate opportunity for meaningful public participation in its processes, it had pulled out all stops to reposition itself, with robust communication initiatives and public awareness and education campaigns focused on ward delimitation.

After the first draft wards were finalised, a communication campaign was launched to educate and create awareness of the MDB and to support the ward delimitation process. The tables below show the different media and communication platforms used.

Adverts on first draft set of wards:

Province	National	Provincial/local
Eastern Cape	The Star Daily Sun	Isolezwe lesiXhosa Vuk'Zenzele Die Burger
KwaZulu-Natal	Daily Sun	Isolezwe Vuk'Zenzele
Mpumalanga	Daily Sun The Star Beeld	Mpumalanga News Vuk'Zenzele
Western Cape	Daily Sun The Star	Die Burger Vuk'Zenzele

Radio and TV interviews conducted:

Date	Media
27 May 2019	Riverside FM
27 May 2019	Jozi FM
27 May 2019	Power FM
28 May 2019	Capricorn FM
18 June 2019	Power FM
19 June 2019	Munghana Lonene FM
4 August 2019	Alfred Nzo FM
27 August 2019	Thobela FM
28 November 2019	SAfm
2 December 2019	Umhlobo Wenene FM
2 December 2019	Ligwalagwala FM
3 December 2019	Power FM
6 December 2019	Motsweding FM
17 January 2020	Morning Live TV
23 January 2020	Radio 786
23 January 2020	Algoa FM
23 January 2020	Capricorn FM
24 January 2020	Newzroom Afrika TV
24 January 2020	Radio Turf
24 January 2020	Tru FM
27 January 2020	Newzroom Afrika TV
3 February 2020	SABC radio stations (Sound Bite)
4 February 2020	Ligwalagwala FM
4 February 2020	SABC TV News (Kouga Municipality)
6 February 2020	SABC News (City of Mbombela Local Municipality)
20 February 2020	Inkonjane FM (Sound Bite)
25 February 2020	Ligwalagwala FM
3 March 2020	Mkhondo FM
4 March 2020	Mkhondo FM (Mkhondo Local Municipality)

SOCIAL MEDIA

Social media posts

Months	Facebook	Twitter
March 2019	5	6
April 2019	1	3
May 2019	7	14
June 2019	8	7
July 2019	11	7
August 2019	11	11
September 2019	4	4
October 2019	8	6
November 2019	12	12
December 2019	4	7
January 2020	8	8
February 2020	24	26
March 2020	21	27
TOTAL	124	138

2. MUNICIPAL OUTER-BOUNDARY RE-DETERMINATION

After the technical municipal boundary re-determination in 2018, the MDB communicated via a circular that municipal boundary re-determination will not be considered until after the 2021 local government elections. Media briefings and releases reiterated the message.

However, at the ward delimitation consultation meetings in February and March 2020, members of the public and stakeholders continued to propose municipal boundary re-determinations. To date, 29 municipal boundary re-determination proposals have been received and these will be processed when the municipal outer-boundary re-determination is considered after the local government elections in 2021.

3. RESEARCH AND KNOWLEDGE MANAGEMENT

3.1 SPATIAL BOUNDARY DESCRIPTIONS FOR ALL MUNICIPALITIES

A project to develop spatial boundary descriptions for all municipalities began in 2017, with the aim to describe municipal boundaries by using geographical location in relation to the cadastral (farm boundaries) and other natural or man-made features. The end product would assist users in identifying the geographical extent of each of the municipalities. The target is to finalise the spatial boundary descriptions of all 257 municipalities in South Africa by the end of the 2020/21 financial year.

Spatial boundary descriptions were completed for 85 municipalities in 2017/18, 57 in 2018/19 and 57 in 2019/20, totalling 199. Descriptions for the outstanding 58 municipalities will be completed in the 2020/21 financial year.

3.2 REPORTS COMPILED ON MINIMUM NORMS AND STANDARDS FOR MUNICIPAL CAPACITY TO PERFORM POWERS AND FUNCTIONS

This project compiles reports on minimum norms and standards on municipal powers and functions outlined in Section 156(1) of the Constitution in Part B of Schedule 4 and Part B of Schedule 5. These are not only norms and standards for service provision, but for standards for capacity (capacity of the municipality to perform its functions includes human, financial and infrastructure).

For the year under review, minimum norms and standards were compiled for the following functions:

- Municipal parks and recreation;
- Air pollution;
- Electricity and gas reticulation;
- Local tourism;
- Municipal airports;
- Municipal planning;
- Municipal public works; and
- Trading regulations.

Minimum norms and standards for municipal capacity have been compiled for 24 functions since the inception of the project in 2018/19.

3.3 RESEARCH PAPERS

In 2017, the MDB envisioned a research and knowledge repository to enhance its legislative mandate/powers. To further build this repository, two research papers were produced for the period under review:

- A critical analysis of the 2018 MDB capacity assessments; and
- The impact of amalgamations on service delivery: The case of Kagisano-Molopo Local Municipality and Mangaung Metropolitan Municipality.

Expanding research and knowledge is critical to the sustainability and growth of the MDB into the future.

3.4 RESEARCH SEMINARS

Supplementary to the research papers, the MDB partnered with the HSRC to host two seminars in 2019/20:

Critical analysis of the 2018 MDB capacity assessments:

The seminar was hosted on 4 June 2019 as part of the MDB-HSRC seminar series. It was attended by representatives from the MDB, HSRC, national and provincial CoGTA, Statistics South Africa (StatsSA), invited local and district municipalities, Department of Health, Right to Know,, the Department of Local Government Western Cape and invited South African universities.

The session had one major presentation, delivered by Sue Bannister of service provider, Data World, which undertook the 2018 MDB capacity assessments. The presentation outlined capacity assessment processes and methodology, and the provider's major challenges during assessment.

The seminar's main outcomes were:

- The current capacity assessments and demarcation systems should continue and be reformulated to adapt to ever-changing times and national interests and aspirations.
- Assessments outcomes met some of the objectives of the 2018 municipal capacity assessments, revealing that most municipalities cannot recognise their own functions. As such, authorities such as CoGTA should give the issue urgent attention.
- The process (methodology) applied in 2018 MDB capacity assessments is fit for purpose. However, the methodology (types of questions asked in the online survey questionnaire and questioning methods) should be improved to avoid compromising the content.
- The MDB should engage with government departments responsible for regulating different powers and functions to discuss the existence of norms and standards upon which municipal capacity to perform powers and functions may be determined.
- Amalgamations are not a solution to struggling municipalities, thus new methods to improve municipal capacity need to be formulated.

The impact of amalgamations on service delivery: The case of Kagisano-Molopo Local Municipality and Mangaung Metropolitan Municipality.

The seminar took place at the HSRC in Pretoria on 7 November 2019, but was linked through videoconferencing to HSRC offices in Durban and Cape Town and livestreamed.

The seminar was attended by representatives from the MDB, HSRC, Financial and Fiscal Commission (FFC), National Treasury, SALGA, StatsSA, Kagisano-Molopo Local Municipality, Department of Local Government Western Cape, University of Pretoria, University of South Africa, University of Witwatersrand, Gauteng City Region Observatory, non-governmental organisations such as Right to Care, Lorna Mlofana Parents Movement and DG Murray Trust.

The session had two major presentations. The first, delivered via video from HSRC Cape Town by Professor Daniel Plaatjies, chairperson of the FFC, explored the 'Impact of municipal amalgamations on service delivery'. It reflected on the FFC's report on municipal amalgamation. The second, by Dr Godwin Dube, Senior Researcher at the MDB, was on 'Municipal amalgamations and service delivery: The case of Kagisano-Molopo Local Municipality and Mangaung Metropolitan Municipality'.

The seminar revealed the following needs::

- Better monitoring of transitional challenges facing municipalities after mergers by provincial CoGTA.
- Revisit of legislation on demarcation objectives.
- Exploring the possibility of assigning the district management area designation for Kagisano-Molopo, for example, as three of the four services assessed in the study (water, sanitation, electricity and refuse removal) are provided by the district municipality.
- Debate on the frequency of amalgamations — the possibility of less-frequent boundary re-determinations (many of which are disruptive and affect planning) is already being incorporated into the bill.
- Assessment of the benefits of incorporating largely rural municipalities or areas into metros (increased densification on the one hand and redistribution of resources, given the apartheid legacy, on the other).

3.5 PRESENTATIONS TO MUNICIPALITIES ON THE OUTCOMES OF THE 2018 CAPACITY ASSESSMENT

As reported in the 2018/9 annual report, the MDB concluded municipal capacity assessments in January 2019. Thereafter, it resolved to visit all provinces to present the outcomes to the municipalities and provincial departments responsible for local government. Subsequently, it presented the outcomes to all provincial forums attended by MECs and mayors.





PART C

PERFORMANCE INFORMATION



1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of responsibility of performance information for the year ended 31 March 2020

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 of 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 Plan and Annual Performance Plan of the MDB for the financial year ended 31 March 2020.

The MDB's performance information for the year ended 31 March 2020 has been examined by the external auditors and their report is presented on page 59.

The performance information of the institution set out on page 32 to page 39 was approved by the Board.



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board

Date: 31 August 2020

2. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

The Auditor-General of South Africa 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 pre-determined objectives is included in the report to management, with material findings being reported under the *pre-determined objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

Refer to page 59 of the Report of the Auditor, published as Part F: Financial Information.

3. OVERVIEW OF PERFORMANCE

3.1 SERVICE DELIVERY ENVIRONMENT

Following the timeous provision of the complete common voters roll and voting districts required by the IEC, the Minister of CoGTA gazetted the formula determining the number of councillors of municipal councils in July 2019. This made provision for MECs for local government to deviate from the formula and publish the number of councillors in all municipalities between August and September 2019. These published gazettes from MECs enabled the MDB to start the fifth ward delimitation, as part of its role and contribution to democracy and the upcoming local government elections in 2021.

After delimiting first draft wards in 2019, the Board launched a nationwide consultation campaign in January 2020 on the draft set of wards for 2021. This consultation campaign was an effort by the MDB to harness public and stakeholder consultation and participation in the delimitation of wards.

However, at the peak of the consultation campaign, Covid-19 reached South African shores and, on 15 March 2020, President Cyril Ramaphosa declared a state of national disaster and nationwide lockdown to curb the spread of the virus. This resulted in the MDB having to suspend all further consultation sessions, having completed 109 out of 128 planned sessions.

Valuable insights were gained from public consultations from February to March 2020. A lesson learnt was that reliance on municipalities to provide venues and other logistics for the MDB is not a good strategy as not all meeting halls were prepared, venues were often changed at the last hour, information on draft wards was not distributed and attendance of municipal officials was poor. In some areas, community members used ward sessions to complain about poor service delivery and in other instances raised outer-boundary re-determination issues. A few meetings disintegrated into chaos and, in one case, MDB employees were held hostage to highlight local government inefficiencies.

In other areas, meetings were well attended, orderly and produced valuable contributions. Appreciation was expressed to the MDB for holding the sessions, sharing information and allowing inputs from participants on ward delimitation processes.

3.2 ORGANISATIONAL ENVIRONMENT

The MDB, still experiencing severe financial constraints, remained focused on achieving the objectives of the APP. After previously reporting a substantial increase in performance of 89% in 2017/18 and 96% in 2018/19, performance in 2019/20 regressed marginally to 95%. However, this was due to the

indicator for the public consultation on ward delimitation, which had to be suspended due to Covid-19.

During the year under review, the MDB reprioritised savings towards partial implementation of the job evaluation conducted in 2016. Discussions with National Treasury resulted in the baseline allocation of the MDB being adjusted to fully implement job evaluation from April 2020. However, the MDB is not sufficiently funded to establish a regional footprint and is actively working towards localised contact to develop a wider reach. The need for regional representation became evident when the national state of disaster was declared and the MDB could not engage with stakeholders even when the National Coronavirus Command Centre moved to level 4.

3.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no key policy developments or legislative changes in 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

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, including contract management, litigation, employment law, lease matters, legal advice and guidance, legal opinions, and documentation preparation and 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 for informed decision-making in its oversight and fiduciary duties.
- **Human resources**
The division focuses on organisational design and the human resources value chain, including human capital development, performance management and labour relations, to ensure that the organisation remains competitive and attracts and retains the talent necessary to drive implementation of its mandate. This includes realignment of posts on the organisational structure in support of strategic objectives.
- **Administration**
Provides administrative support services in facilities and records management, occupational health and safety, and auxiliary services.
- **Corporate planning**
Provides support to management for the development of the Strategic Plan, APP, operational plans and quarterly reporting on performance against pre-determined objectives.
- **ICT support**
ICT enables the organisation to function effectively and efficiently through technological innovations. ICT should inform new ways of doing business, resulting in efficiencies, convenience, cost saving and improved outcomes. It should provide and maintain sustainable and secure ICT services that support overall governance of the MDB. It applies to electronic document management and cost efficiency, and collaboration with stakeholders and the public. It generally enhances decisions, while reducing negative impact on the environment through reduced paper use.

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, including youngsters, who are not accommodated in the traditional system of meetings held during the day and at 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**
Strengthens interaction with internal and external stakeholders through regular communication. The unit also promotes a positive image of the organisation through marketing and branding.

Financial Management focuses on the following:

- **Financial management**
Ensures existence of effective, efficient and transparent financial management to deliver accurate financial information for timeous decision-making.
- **Risk management**
Existence of an effective risk management system that informs strategic planning and the internal audit plan. The unit further identifies and assesses strategic risks in terms of inherent and residual risk exposure.
- **Supply chain management**
Ensures a fair, equitable, transparent, competitive and cost-effective procurement system to prevent irregular, fruitless and wasteful expenditure.
- **Asset management**
Provides effective systems and processes to acquire, safeguard, maintain and dispose of assets, including 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 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
Number of reports on the implementation of Board resolutions submitted	4	4	4	None	N/A
Number of reports on monitoring and evaluation of compliance with relevant legislation submitted	4	4	4	None	N/A
Number of organisational performance review sessions conducted	4	4	4	None	N/A
Number of reports on ICT Governance submitted	4	4	4	None	N/A
Maintain occupancy rate of funded position over the period	New Indicator	90%	96%	6%	Efficient recruitment and selection processes were followed
Number of media campaigns conducted to increase awareness of demarcation processes	1	2	2	None	N/A

Strategic Objective	Sound Financial Management				
Performance Indicator	Actual achievements 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
Audit opinion expressed by the AGSA	AGSA expressed an unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion, with no findings 'Clean' expressed by AGSA	No findings 'Clean' audit opinion expressed by AGSA	N/A
Percentage of Audit action plan implemented	100% Audit action plan implemented before the next audit cycle	100% Audit action plan implemented before the next audit cycle	100% of the Audit action plan implemented before the next audit cycle	None	N/A
Annual Strategic risk register developed by target date	Strategic risk register developed by end March 2019	Develop annual Strategic risk register by end March 2020	Strategic risk register developed by end March 2020	None	N/A
Number of budget monitoring reports submitted	New indicator	4	4	None	N/A
Number of SCM reports in line with SCM regulations	New indicator	4	4	None	N/A

Changes to planned targets

The planned target for the indicator 'Annual strategic risk register developed by target date' was corrected to 'Develop annual Strategic risk register by end-March 2020'.

4.2 PROGRAMME 2: DEMARICATIONS

4.2.1 PURPOSE

Provide demarcation services in line with legislation.

4.2.2 SUB-PROGRAMMES

This programme consists 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 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 IEC, must, before elections, delimit wards in all metropolitan and local municipalities that qualify to have wards. 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 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
Number of municipalities with spatial boundary descriptions finalised by end 2021.	57	57	57	None	N/A
Boundary determination & re-determination policy reviewed	New indicator	Boundary determination & re-determination policy reviewed by end March 2020	Boundary determination & re-determination policy approved by the Board on 4 December 2019	Policy approved earlier than target date	Efficient practices and processes

Strategic Objective	Delimit wards for all municipalities that qualify to have wards				
Performance Indicator	Actual achievements 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
First draft wards delimited for all municipalities that qualify to have wards	New indicator	First draft wards delimited for all municipalities that qualify to have wards by end quarter 3	Delimited first draft wards for all municipalities that qualified to have wards by end quarter 3	None	N/A
Number of municipalities consulted on first draft wards	New indicator	128	109	19 municipal consultations were suspended, due to a State of national disaster declared by the President on 15 March 2020 and the subsequent lockdown put in place to mitigate the spread of Covid-19 virus.	Circulars issued to inform stakeholder on process to submit written comments on draft wards.

Strategy to overcome areas of underperformance

A communication campaign was launched, during which circulars were issued and information released through various forms of media, such as radio, newspaper and social platforms, to inform the public and stakeholders on liaison with the MDB on delimited wards and submission of written comments on draft wards.

Changes to planned targets

Annual target for the indicator 'Number of municipalities consulted on first draft wards' was amended from '160' to '128'.

4.3 PROGRAMME 3: RESEARCH AND KNOWLEDGE MANAGEMENT

4.3.1 PURPOSE

Provide research to 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 MECs on the adjustment of powers and functions between district and local municipalities. A new approach will ensure that the process considers not only the institutional factors but environmental factors such as natural endowments, economic infrastructure and other socio-economic variables (e.g. demographics, education and income levels).

- Research and knowledge management
Facilitate knowledge development and management for optimal decision-making on boundary determinations to further the objectives of sustainable municipalities. To provide responsive and evidence-based research that contributes to demarcation to redress apartheid spatial planning. Ultimately, this programme aims to position the MDB as a knowledge hub on matters involving spatial transformation and demarcations.

Key performance indicators, planned targets and actual achievements

Strategic Objective	Conduct assessment of municipal capacity				
Performance Indicator	Actual achievements 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
Number of reports compiled on minimum norms and standards for municipal capacity to perform its powers & functions	16	8	8	None	N/A

Strategic Objective	Conduct research and render advisory and knowledge management services				
Performance Indicator	Actual achievements 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
Number of research papers produced	2	2	2	None	N/A
Number of research seminars conducted	2	2	2	None	N/A

4.4 PROGRAMME 4: PUBLIC PARTICIPATION, EDUCATION AND AWARENESS

4.4.1 PURPOSE

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 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 engagement and was, therefore, alienated from community realities. This was confirmed during the latest boundary re-determinations and ward delimitations and at the conference on demarcation and spatial transformation in June 2016. Consequently, from 2018, public consultation initiatives were undertaken to close the gap and enhance public participation. The MDB engaged all municipalities to ensure that community members were reached and have a fair and equal opportunity to be involved in public participation processes.

The programme aims to deepen active stakeholder and community participation in demarcation.

Key performance indicators, planned targets and actual achievements

Strategic Objective	Enhance public participation, education and awareness				
Performance Indicator	Actual achievements 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to Actual achievement for 2019/20	Comment on deviations
Number of outreach programmes to strengthen public awareness and education of demarcation processes	4	4	4	None	N/A
Number of outreach programmes to strengthen stakeholder awareness and education of demarcation processes	4	4	4	None	N/A

5. SUMMARY OF FINANCIAL INFORMATION

5.1 REVENUE COLLECTION

Sources of revenue	2019/20			2018/19		
	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	64 268	64 268	-	55 568	55 568	-
Sale of goods	-	-	-	-	-	-
Interest received	950	1 041	(91)	897	1 059	(162)
Other income	-	21	(21)	-	470	(869)
Total	65 218	65 330	(112)	56 465	57 097	(1 031)

5.2 PROGRAMME EXPENDITURE

Programme	2019/20			2018/19		
	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	39 764	38 162	1 602	36 820	36 582	(369)
Programme 2: Demarcations	15 383	12 054	3 618	11 658	11 154	642
Programme 3: Research and Knowledge Management	2 044	2 235	(191)	7 294	6 956	338
Programme 4: Public Participation, Education and Awareness	6 170	4 257	1 913	8 758	6 114	2 644
Total	63 361	56 708	6 653	64 567	60 496	3 255



PART D

GOVERNANCE



1. INTRODUCTION

The MDB is an independent authority, established in terms of Section 155 of the Constitution of the Republic of South Africa. Members of the Board, including the Chairperson and Deputy Chairperson, are appointed — for five years - 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:

- Determination and re-determination of municipal boundaries
- Delimitation of wards for local elections
- Declaration of district management areas and withdrawal of declarations
- Assessment of the capacity of district and local municipalities to perform their functions
- Advisory service on matters 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 submit annually 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 reappointment is subject to the conditions and procedures of 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 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 from 1 March 2019 and meetings attended in the 2019/20 financial year.

Name	Designation	Date		Other committees	Number of Board meetings attended
		Appointed	Term ended		
Thabo M Manyoni	Board Chairperson	1 March 2019		Governance, Social and Ethics Committee	8
Mbali P Myeni	Deputy Board Chairperson	1 March 2019		ICT and Knowledge Management Committee; Audit and Risk Committee; and Governance, Social and Ethics Committee	8
Jane J Thupana	Board member	1 March 2019		Boundaries, Powers and Functions Committee; and Governance, Social and Ethics Committee	7
Albert Kekesi	Board member	1 March 2019		Boundaries, Powers and Functions Committee; and Public Participation and Stakeholder Engagement Committee	8
Adv Monnapula P Motlogelwa	Board member	1 March 2019		Human Capital Committee; and Audit and Risk Committee	8
Greta Apelgren-Narkedien	Board member	1 March 2019		Human Capital Committee; and Governance, Social and Ethics Committee	8
Themba Dubazana	Board member	1 March 2019		Human Capital Committee; and Knowledge Management and ICT Committee	8
Mmatsie Mooki	Board member	1 March 2019		Governance, Social and Ethics Committee; and Public Participation and Stakeholder Engagement Committee	7
Dr David Mohale	Board member	1 March 2019		Knowledge Management and ICT Committee; and Public Participation and Stakeholder Engagement Committee	7
Namso Baliso	Board member	1 March 2019		Boundaries, Powers and Functions Committee	8

Committees

All committee chairpersons, with the Board 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	5	6	Thabo M Manyoni (Chairperson) Mbali P Myeni Mmatsie Mooki Jane J Thupana Dr David Mohale Greta Apelgren-Narkedien
Human Capital Committee	7	3	Greta Apelgren-Narkedien (Chairperson) Adv Monnapula P Motlogelwa Themba Dubazana
Audit and Risk Committee	5	3	Dawood Coovadia (Chairperson) Mbali P Myeni Adv Monnapula P Motlogelwa
Boundaries, Powers and Functions Committee	6	3	Jane J Thupana (Chairperson) Namso Baliso Albert Kekesi
Knowledge Management and ICT Committee	4	3	Dr David Mohale (Chairperson) Mbali P Myeni Themba Dubazana
Public Participation and Stakeholder Engagement Committee	4	3	Mmatsie Mooki (Chairperson) Dr David Mohale Albert Kekesi

Attendance of meetings

Name	Governance, Social and Ethics		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
Thabo M Manyoni	5	5										
Mbali P Myeni	5	5			5	5			4	4		
Jane J Thupana	5	5					6	6				
Albert Kekesi							6	6			4	4
Adv Monnapula P Motlogelwa			7	7	5	4						
Greta Apelgren-Narkedien	5	5	7	7								
Themba Dubazana			7	6					4	2		
Mmatsie Mooki	5	5									4	4
Dr David Mohale	5	5							4	4	4	4
Namso Baliso							6	6				

Legend: M = Meetings convened, A = Attendance

Remuneration of Board members

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

Name	Remuneration	Other allowances	Other reimbursements	Total
Thabo M Manyoni	1 473	223	-	1 696
Mbali P Myeni	341	18	-	359
Jane J Thupana *	456	18	-	474
Albert Kekesi	374	18	-	392
Adv Monnapula P Motlogelwa	237	18	-	255
Greta Apelgren-Narkedien	274	18	-	292
Themba Dubazana	246	18	-	264
Mmatsie Mooki	281	18	-	299
Dr David Mohale	248	18	-	266
Namso Baliso	235	18	-	253

** Ms Thupana accrued leave during the final year of her term as Chairperson of the MDB, which ended on 28 February 2019. The accrued leave was paid out during the 2019/20 financial year. In addition, Ms Thupana attended additional meetings such as handover meetings with the incoming Chairperson and represented the incoming Chairperson at meetings at the start of his term.*

4. RISK MANAGEMENT

In line with best practice, the MDB has instituted a robust enterprise risk management process, founded on a framework that is organisationally embedded, supported, assured and reviewed continually. Enterprise risk management 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 strategic and operational risk management.

A formal risk assessment exercise is undertaken annually to establish risks that may prevent the MDB from achieving its goals and objectives. It 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 reassure 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 internal control systems and make recommendations to management and the Audit and Risk Committee.

AGSA 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 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	-	5
Mbali P Myeni	Internal	Board member	1 March 2019	-	5
Adv Monnapula P Motlogelwa	Internal	Board member	1 March 2019	-	4

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
- Local Government: Municipal Demarcation Act 27 of 1998
- Local Government: Municipal Structures Act 117 of 1998
- Local Government: Municipal Systems Act 32 of 2000
- Generally Recognised Accounting Practice
- Income Tax Act 58 of 1962
- Value-Added Tax Act 89 of 1991
- Public Finance Management Act 1 of 1999, as amended
- Treasury Regulations, March 2005, issued in terms of the PFMA
- Preferential Procurement Policy Framework Act 5 of 2000
- 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

8. FRAUD AND CORRUPTION

The MDB undertakes to combat all forms of fraud and corruption and to remain proactive in the fight against fraud and other white-collar crime.

The Fraud Prevention Policy and the Fraud Prevention Plan provide internal controls to detect and prevent fraud and corruption. The controls includes 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 fraud and corruption business risk. 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 and those of close family members to ensure 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 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 based on 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 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 2020.

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.

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 conducted its affairs in compliance with its charter and discharged its responsibilities contained therein. The charter is available on request.

AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The committee met five times during the 2019/20 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.	5
Mbali P Myeni	Appointed 1 March 2019	5
Adv Monnapula P Motlogelwa	Appointed 1 March 2019	4

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

ROLE AND RESPONSIBILITIES

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 Regulation 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 2019/20 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.

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: 30 September 2020

PART E

HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

During the period under review:

- The MDB's organisational structure consisted of 50 approved posts with 46 filled posts, two vacant posts and two unfunded positions, translating into a vacancy rate of 4%.
- 100% of employees completed their performance agreements.
- Two employee health and wellness initiatives were conducted.
- The annual employment equity report was submitted to the Department of Employment and 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 and 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.

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	38 162	19 250	50%	30	642
Demarcations	12 054	8 982	75%	11	817
Research and Knowledge Management	2 235	1 880	84%	3	627
Public Participation, Education and Awareness	4 257	1 540	36%	2	770
Total	56 708	31 652	49%	46	688

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	5 263	17%	3	1 754
Senior management	8 345	26%	7	1 192
Professionally qualified	10 062	32%	17	592
Skilled	7 982	25%	19	420
Total	31 652	100%	46	688

Performance rewards

Level	Performance reward	Personnel expenditure	% of performance reward to total personnel cost
	R'000	R'000	
Top management	240	5 263	4.6%
Senior management	394	8 345	4.72%
Professionally qualified	180	10 062	1.8%
Skilled	144	7 982	1.8%
Total	958	31 652	3.0%

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	19 250	70	0.4%	16	4
Demarcations	8 982	30	0.3%	7	4
Research and Knowledge Management	1 880	-	-	-	-
Public Participation, Education and Awareness	1 540	3	0.2%	1	3
Total	31 652	103	0.33%	24	11

Employment and vacancies

Programme	2018/19 number of employees	2018/19 approved posts	2019/20 number of employees	2019/20 vacancies	% of vacancies
Administration	26	30	30	1	3%
Demarcations	13	14	11	1	7%
Research and Knowledge Management	2	3	3	-	-
Public Participation, Education and Awareness	2	2	2	-	-
Total	43	49	46	2	4%

Note: Funds for assistant Board Secretary and Determination and Delimitation Specialist were used to create a new senior manager position. The Determination and Delimitation Unit contract post was abolished from the structure. Currently, the MDB has 50 posts, two of which are unfunded and two vacant.

Level	2018/19 number of employees	2018/19 approved posts	2019/20 number of employees	2019/20 vacancies	% of vacancies
Top management	4	4	3	1	25%
Senior management	6	6	7	-	-
Professionally qualified	16	18	17	-	-
Skilled	18	20	19	1	5%
Subtotal permanent employees	44	48	46	2	4%
Fixed-term contract employees	-	-	-	-	-
Internship programme	-	-	-	-	-
Subtotal contract employees	-	-	-	-	-
Total	44	48	46	2	-

Note: Funds for assistant Board Secretary and Determination and Delimitation Specialist were used to create a new senior manager position. The Determination and Delimitation Unit contract post was abolished from the structure. Currently, the MDB has 50 posts, two of which are unfunded and two vacant.

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	3	-	-	3
Senior management	6	1	-	7
Professionally qualified	16	2	1	17
Skilled	18	4	2	19
Total	43	7	3	46

Note: One top management position remained vacant due to an ongoing Commission for Conciliation, Mediation and Arbitration matter.

Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	-	-
Resignation	3	6%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other: Movement within the organisation	-	-
TOTAL	3	6%

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	3
Written warning	-
Final written warning	-
Precautionary suspension	-
Dismissal	-

Equity target and employment equity status

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	-	-	-	-
Senior management	5	-	-	-	1	-	-	-
Professional qualified	8	-	-	-	-	-	-	1
Skilled	4	-	-	-	-	-	1	-
Total	19	-	-	-	1	-	1	-

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	-	-	1	-	-	-	-
Senior management	1	-	-	-	-	-	-	-
Professional qualified	7	-	-	-	-	1	2	-
Skilled	12	-	1	-	1	-	-	-
Total	21	-	1	-	1	-	2	-

Level	Staff with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Total	-	-	-	-





PART F

FINANCIAL INFORMATION

35
33
69

89.635

1. STATEMENT OF RESPONSIBILITY

Statement of responsibility for the Annual Financial Statements for the year ended 31 March 2020

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 2020.

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

The MDB's Annual Financial Statements for the year ended 31 March 2020 have been audited by the external auditors and their report is presented on page 56.

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



Tintswalo Baadjie
Chief Financial Officer
Municipal Demarcation Board
Date: 30 September 2020



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
Date: 30 September 2020

2. REPORT OF THE CHIEF EXECUTIVE OFFICER

General review

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 2019/20 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 R65.330 million compared to R56.997 million in the 2018/19 financial year. The MDB's main source of revenue is the government grant, which is 98% of its total revenue. The rest is made up of mainly interest from the bank.

Total expenditure for the year under review amounted to R56.708 million, compared to R60.476 million in 2018/19. The variance of R8.622 million is due mainly to the expenditure of the capacity assessment performed in the previous financial year.

Spending trends

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

	2016		2017		2018		2019		2020	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Income	46 288	-5%	60 015	28%	60 099	-3%	56 997	-5%	65 330	12%
Voted funds	45 793	4%	58 220	21%	57 631	-1%	55 568	-4%	64 268	14%
Other income	495	2%	1 795	72%	2 468	27%	1 928	-28%	1 062	-82%
Expenditure	64 737	30%	49 750	11%	50 475	-1%	60 463	17%	56 708	
Board members' remuneration	3 182	16%	4 224	24%	3 759	-12%	3 781	1%	4 809	21%
Salaries	20 877	4%	21 199	2%	26 607	20%	28 341	6%	32 367	12%
Project expenses	3 526	27%	3 138	-12%	4 047	22%	4 355	7%	-	-
Lease payment	3 830	4%	3 674	- 4%	3 724	1%	3 965	6%	3 571	-11%
Publications	13 072	98%	83	-156%	405	80%	449	10%	482	7%
Audit	1 342	20%	1 560	14%	3 017	48%	2 291	-32%	2 103	-9%
Travel cost	3 134	-42%	1 193	-163%	2 155	45%	1 969	-9%	3 70	42%
Other operating expenses	15 744	-12%	14 679	-7%	6 751	-117%	15 299	56%	10 006	-53%
Surplus/deficit for the period	(18 449)		10 269		9 634		(2 967)		8 622	

Capacity constraints and challenges

The MDB has experienced financial limitations since inception, which have limited its 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. The reduction in the baseline budget over the 2020/21 Medium-term Expenditure Framework will put further strain on the financial resources of the organisation.

New activities

The MDB's future plans are included in the revised Strategic Plan for 2020 to 2025 and the APP for 2020/21, which are aligned with government priorities.

Request for retention of surplus

Request for the retention of surplus for the year under review has been made in terms of Section 53(3) of the PFMA, 1999, to fund committed projects that could not be finalised and were carried over to the 2020/21 financial year, and to fund the publication of notices for ward delimitation ahead of the 2021 local government elections.

Supply chain management (SCM)

Concluded unsolicited bid proposal for the year under review

None

SCM processes and systems

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

Audit report matters in the previous year

	Matters raised by the Auditor-General in 2018/19	Management action implemented	Status (resolved, partially resolved or unresolved)
1.	Non-compliance with Section 13(G)(1) of the B-BBEE Act and Regulation 12(2) (Ex 1)	Controls improved to prevent recurrence	Resolved
2.	Contracts were amended or extended without approvals	Controls improved to prevent recurrence	Resolved
3.	Information technology general control	Controls improved to prevent recurrence	Resolved
4.	Annual Financial Statements: Risk management disclosure note 29 amounts are not correct	Misstatement corrected and controls improved to ensure accurate reported information	Resolved
5.	Annual Financial Statements: Cash flow amount not reconciling	Misstatement corrected and controls improved to ensure accurate reported information	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.

Procurement is 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 R136 000 from non-compliance discovered in the current financial year, which is disclosed in note 32 of the Annual Financial Statements. This relates to legal services used without following SCM processes.

Economic viability

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



Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
30 September 2020

1. 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 62 to 84, which comprise the statement of financial position as at 31 March 2020, 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 2020, 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 constitutional institution in accordance with sections 290 and 291 of the code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the constitutional institution'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 constitutional institution 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 THE ANNUAL PERFORMANCE REPORT

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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the constitutional institution. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the constitutional institution enabled service delivery. My procedures also do 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 constitutional institution for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 2 – Demarcations	35 - 36

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 identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 2 - Demarcations

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 32 to 38 for information on the achievement of planned targets for the year and explanations provided for the under-achievement of a number of targets.

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 constitutional institution's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not identify any 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 officer 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 do 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

30 September 2020



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 constitutional institution'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 constitutional institution's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer'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 relating to events or conditions that may cast significant doubt on the ability of the Municipal Demarcation Board 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 my 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 constitutional institution to cease operating as a going concern

- evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine 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 officer 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 officer 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, actions taken to eliminate threats or safeguards applied.



PART G

ANNUAL FINANCIAL STATEMENTS

632

89.635

INDEX

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

Statement of Financial Position	64
Statement of Financial Performance	65
Statement of Changes in Net Assets	66
Cash Flow Statement	67
Accounting Policies	68-74
Notes to the Annual Financial Statements.....	75-86

The annual financial statements set out on pages 64 to 86, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2020 and were signed on its behalf by:



Muthotho Sigidi
Chief Executive Officer

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note(s)	2020 R'000	2019 R'000
Assets			
Current Assets			
Inventories	3	319	250
Receivables from exchange transactions	4	1 071	335
Receivables from non-exchange transactions	5	270	106
Cash and cash equivalents	6	25 192	17 655
		26 852	18 346
Non-current Assets			
Property, plant and equipment	7	2 551	2 073
Intangible assets	8	932	488
Warranties	9	6	17
		3 489	2 578
Total Assets		30 341	20 924
Liabilities			
Current Liabilities			
Operating lease liability	10	225	145
Payables from exchange transactions	11	3 661	3 187
Provisions	12	981	986
		4 867	4 318
Total Liabilities		4 867	4 318
Net Assets		25 474	16 606
Accumulated surplus		25 474	16 606

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2020 R'000	2019 R'000
Revenue			
Revenue from exchange transactions			
Interest received — investment	13	1 041	1 059
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	14	64 268	55 568
Other non-exchange revenue		21	869
Total revenue from non-exchange transactions		64 289	56 437
Total revenue	15	65 330	57 496
Expenditure			
Employee costs	17	(32 367)	(28 347)
Depreciation and amortisation	18	(1 152)	(1 782)
Other operating expenses	19	(7 887)	(7 091)
Administrative costs	20	(15 059)	(23 256)
Total expenditure		(56 465)	(60 476)
Gain/(loss) on disposal of assets	16	-	13
Surplus/(deficit) for the period		8 865	(2 967)

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R'000	Total net assets R'000
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 01 April 2019	16 607	16 607
Surplus/(deficit) for the year	8 865	8 865
Total changes	8 865	8 865
Balance at 31 March 2020	25 472	25 472

CASH FLOW STATEMENT

	Note(s)	2020 R'000	2019 R'000
Cash flows from operating activities			
Receipts			
Government grant received		64 268	55 568
Interest received		1 018	962
Conditional grant received		-	-
Other revenue		21	369
Other cash receipts		-	-
		65 307	56 899
Payments			
Cash paid to employees and suppliers		(55 709)	(58 954)
Net cash flows from operating activities	21	9 598	(2 055)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 391)	(346)
Proceeds from sale of property, plant and equipment		-	57
Purchase of other intangible assets	8	(682)	(13)
Purchase of warranties		-	(8)
Other cash item		12	18
Net cash flows from investing activities		(2 061)	(293)
Net increase/(decrease) in cash and cash equivalents		7 537	(2 348)
Cash and cash equivalents at the beginning of the period		17 655	20 003
Cash and cash equivalents at the end of the period	6	25 192	17 655

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, are disclosed below.

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 judgments 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 are 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.

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 their 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 was 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 is 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.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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.

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 24.

Commitments represent orders that have been approved, but where 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 that 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 that 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 required with the exception of updating the note to the financial statements.

1.16 Related parties

Management comprises 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 Prior-year errors

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.

1.18 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.

Functional and presentation currency

The financial statements are presented in South African Rand, which is the MDB's functional currency. All information has been rounded off to the nearest thousand Rand.

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 2020 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 Financial Instruments	01 April 2020	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. INVENTORIES

	2020 R'000	2019 R'000
Inventories	319	250
Inventory reconciliation		
Opening balance	250	207
Additions	294	111
Consumption	(225)	(68)
Closing balance	319	250

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Interest income accrued	120	97
Prepaid expenses	951	238
	1 071	335

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Staff debtors	120	89
SARS — PAYE receivable	150	18
	270	107

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand — petty cash	3	3
Bank balances — main account	139	99
Short-term deposits — call account	25 050	17 553
	25 192	17 655

7. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 161	(1 540)	621	2 012	(1 388)	624
Motor vehicles	656	(483)	173	656	(447)	209
Office equipment	259	(178)	81	194	(157)	37
IT equipment	3 553	(1 989)	1 564	2 375	(1 311)	1 064
Leasehold improvements	2 558	(2 446)	112	2 558	(2 419)	139
Total	9 187	(6 636)	2 551	7 795	(5 722)	2 073

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	624	148	(151)	621
Motor vehicles	209	-	(36)	173
Office equipment	37	65	(21)	81
Computer equipment	1 064	1 178	(678)	1 564
Leasehold improvements	139	-	(27)	112
	2 073	1 391	(913)	2 551

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
IT equipment	1 492	329	(37)	(720)	1 064
Leasehold improvements	694	-	-	(555)	139
	3 306	346	(37)	(1 542)	2 073

Repairs and maintenance

There were no repairs and maintenance done on property, plant and equipment.

8. INTANGIBLE ASSETS

	2020			2019		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 469	(1 537)	932	1 787	(1 299)	488

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	488	682	-	(238)	932

Reconciliation of intangible assets – 2019

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

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)

	2020 R'000	2019 R'000
Non-current liabilities	-	-
Current liabilities	225	145
	225	145

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1 220	1 652
Leave accrual	2 441	1 535
	3 661	3 187

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The impact of payables from exchange transaction 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. PROVISIONS

Reconciliation of provisions – 2020

	Opening balance	Additions	Utilised during the year	Total
Performance bonus	986	958	(963)	981

Reconciliation of provisions – 2019

	Opening balance	Additions	Utilised during the year	Total
Performance bonus	398	986	(398)	986

Performance bonus: Relates to bonuses for the year under review that 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.

13. INTEREST RECEIVED

Interest revenue

	2020 R'000	2019 R'000
Bank	1 041	1 059

14. GOVERNMENT GRANTS

Operating grants

	2020 R'000	2019 R'000
National Department of Cooperative Governance and Traditional Affairs	64 268	55 568

15. REVENUE

	2020 R'000	2019 R'000
Bank Interest received	1 041	1 059
Government grants	64 268	55 568
Other non-exchange revenue	21	869
	65 330	57 496

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 R'000	2019 R'000
The amount included in revenue arising from exchanges of goods or services is as follows:		
Interest received and other income	1 041	1 059
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants and subsidies	64 268	55 568
Other non-exchange revenue	21	869
16. GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Insurance proceeds	-	57
Loss on disposal of assets (property, plant and equipment)	-	(44)
	-	13
17. EMPLOYEE BENEFIT COSTS		
Basic	20 442	18 211
Bonus	958	1 041
UIF	81	78
Leave payments	181	325
Leave expenses	722	145
Travel, motor car, accommodation, subsistence and other allowances	175	156
Overtime payments	21	82
Other non-pensionable allowance	8 833	7 485
Insurance cover	806	698
Other salary-related costs	148	126
	32 367	28 347
18. DEPRECIATION AND AMORTISATION		
Computer software	238	242
Furniture and fixtures	152	142
Computer equipment	678	720
Leasehold improvements	26	555
Motor vehicles	37	59
Office equipment	21	64
	1 152	1 782

	2020 R'000	2019 R'000
19. OTHER OPERATING EXPENSES		
Consumables	104	26
Courier and delivery charges	122	51
License renewal	859	951
Rental of building and other rentals	3 328	3 965
Repairs and maintenance	104	129
Travel and accommodation	3 370	1 969
	7 887	7 091
20. ADMINISTRATIVE COSTS		
Advertising	1 333	154
External audit fees	1 794	1 455
Internal audit fees	309	836
Bank charges	38	31
Conferences and seminars	354	1 346
Legal fees	916	2 163
Insurance	228	296
Printing and stationery	504	774
Telephone and fax	155	148
Publications, notices and gazettes	482	449
Employee training fees	331	353
Other consulting	855	4 017
Security services	698	847
Members' allowance	4 809	3 783
Stationery	254	152
Recruitment costs	41	29
Employee assistance programme	24	9
Project-related costs	-	4 355
Other expenses	1 934	2 059
	15 059	23 256

	2020 R'000	2019 R'000
21. CASH GENERATED FROM (USED IN) OPERATIONS		
Surplus/(deficit)	8 865	(2 967)
Adjustments for:		
Depreciation and amortisation	1 152	1 782
Gain/(loss) on sale of assets	-	(13)
Movements in operating lease assets and accruals	80	(501)
Movements in provisions	(5)	588
Changes in working capital:		
Inventories	(69)	(43)
Receivables from exchange transactions	(735)	(29)
Receivables from non-exchange transactions	(164)	15
Payables from exchange transactions	474	(387)
Payables from non-exchange transactions	-	(500)
	9 598	(2 055)
	At amortised cost	Total
22. FINANCIAL INSTRUMENTS		
Categories of financial instruments		
2020		
Financial assets		
Receivables from exchange and non-exchange transactions	270	270
Cash and cash equivalents	25 192	25 192
	25 462	25 462
Financial liabilities		
Payables from exchange transactions	1 220	1 220
2019		
Financial assets		
Receivables from exchange and non-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

23. 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.

	2020 R'000	2019 R'000
Operating leases – the Board as lessee		
Minimum lease payments due		
- within one year	2 463	2 713
- in second to fifth year inclusive	9 053	10 773
- later than five years	-	744
	11 516	14 230
Other commitments		
Approved and contracted: Other operational expenditure	10 123	4 306

The Board has entered into a new lease agreement for a further five years with a 6% escalation. The lease will run from 1 July 2019 to 30 June 2024. Lease payments escalate by 6% annually and are payable monthly in advance.

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.

24. 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.

25. RELATED PARTIES

Relationships	
Non-executive members	Refer to note 26
Members of key management	Refer to note 26
Other entities in the public sphere	National Department of Cooperative Governance and Traditional Affairs

	2020 R'000	2019 R'000
Related party transactions		
National Department of Cooperative Governance and Traditional Affairs	64 268	55 568
Development Bank of Southern Africa	-	100

26. EMOLUMENTS**Executive members****2020**

	Emoluments	Bonus	Total
M Sigidi (CEO)	2 255	185	2 440
A Ramagadza (COO)	1 382	62	1 444
T Baadjie (CFO)	1 319	59	1 378
	4 956	306	5 262

2019

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

Non-executive members**2020**

	Members' fees	Other fees	Total
TM Manyoni (Board Chairperson)	1 473	223	1 696
MP Myeni (Deputy Chairperson)	341	18	359
G Apelgren-Narkedien	274	18	292
NL Baliso	235	18	253
Adv MP Motlogelwa	237	18	255
Dr DM Mohale	248	18	266
MJJ Thupana	456	18	474
AI Kekesi	374	18	392
MS Mooki	281	18	299
TC Dubazana	246	18	264
D Coovadia (Chairperson: Audit and Risk Committee)	259	-	259
	4 424	385	4 809

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2019

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

Non-executive members' details

Remuneration of non-executive members is determined by the Minister of Finance.

The Chairperson is employed full time and runs an office at the MDB, it is with this regard that his fees are significantly larger than the 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.

27. CHANGE IN ESTIMATES

Property, plant and equipment

Management determines the estimated useful lives for property, plant and equipment. The estimates are based on the assessed condition of the assets. These estimates can change significantly as a result of changes in the condition of assets.

Changes in the estimated useful lives of some items of property, plant and equipment were reviewed this financial year in line with paragraph 61 of GRAP 17, and the effect thereof was as follows:

Depreciation	Furniture and fittings	Office equipment	Computer equipment	Leasehold improvements	Totals
Before changes in useful lives	(34)	(576)	(262 148)	(138 411)	(401 168)
After changes in useful lives	17	288	91 854	26 364	118 523
	(17)	(288)	(170 294)	(112 047)	(282 645)

Intangible assets

Changes in the estimated useful lives of some items of intangible assets were reviewed this financial year in line with paragraph 61 of GRAP 17, and the effect thereof was as follows:

Intangible assets

	Computer software	Total
Before changes in useful lives	(18 280)	(18 280)
After changes in useful lives	8 059	8 059
	(10 221)	(10 221)

28. PRIOR-PERIOD ERRORS

An amount of R3 026.32 relating to fruitless and wasteful expenditure was not accounted for in the previous financial year.

The amount has then been reinstated in the closing balance of the prior period (2019) in note 32: Fruitless and wasteful expenditure

The reinstatement will, therefore, result in a closing balance of R6 885.64 compared to the previous reported amount of R3 859.32

29. RISK MANAGEMENT

Financial risk management

The entity's activities expose 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.

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	1 220	-	-

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	1 652	-	-

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. EVENTS AFTER THE REPORTING DATE

The Board is not aware of any matters that arose after the reporting date that was adjustment to the financial statements

Covid-19 impact in the Board's going concern

Covid-19 did not have a material financial impact to the Board and the cash flows of the Board was not negatively affected. Acting on the announcement of a nationwide lockdown by the President of South Africa to curb the spread of Covid-19, management acted swiftly with measures to ensure that the Board continues to operate during the lockdown. Management implemented a strategy to ensure that all employees are able to work from a remote location. This strategy ensures that the Board is able to continue executing its mandate with minimal disruptions.

31. FRUITLESS AND WASTEFUL EXPENDITURE

	2020 R'000	2019 R'000
Opening balance	7	-
Opening balance as restated	7	-
Add: Fruitless and wasteful expenditure — current year	15	7
Less: Amounts recovered	(6)	-
Less: Amounts raised as debt	(2)	-
Less: Amount condoned	(9)	-
Closing balance	5	7

Current year

R680.05 — The official was involved in an accident. The vehicle hit an animal and one of the front tyres was damaged.

R4 186.47 — The vehicle door and rear bumper were damaged. The road was littered with trees and rubble due to a service delivery strike in Jozini (KZN).

32. IRREGULAR EXPENDITURE

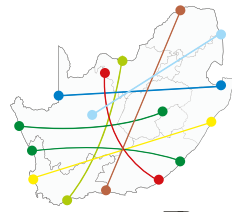
	2020 R'000	2019 R'000
Opening balance	26 204	20 250
Add: Irregular expenditure — current year	136	734
Add: Irregular expenditure — current year (prior-year non-compliance)	2 125	6 341
Less: Amounts condoned	(21 495)	(1 121)
Closing balance	6 970	26 204

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	Amount
Appointment of attorneys without following due supply chain management process.	Matter is currently under investigation	136
		136







mdb
municipal demarcation board

Physical Address:

Eco Origins — Block C1,
349 Witch-Hazel Street,
Centurion,
Pretoria, 0157,
South Africa

Postal Address:

Private Bag X123,
Centurion,
0046,
South Africa

Telephone:

+27 12 342 2481

Facsimile:

+27 12 342 2480

Website:

www.demarcation.org.za

email:

info@demarcation.org.za



@MunicipalBoard



Municipal Demarcation Board



MDB Municipal Demarcation Board

RP347/2020

ISBN: 978-0-621-48841-8