

mb
municipal demarcation board



Spatially
Transformed,
Just & Sustainable
Communities



2021/2022
**ANNUAL
REPORT**

TABLE OF CONTENTS

PART A: GENERAL INFORMATION

2

1. ADMINISTRATION AND CORPORATE INFORMATION.....	3
2. LIST OF ABBREVIATIONS/ACRONYMS.....	3
3. FOREWORD BY THE CHAIRPERSON.....	4
4. CHIEF EXECUTIVE OFFICER'S OVERVIEW.....	6
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT..	9
6. STRATEGIC OVERVIEW.....	10
7. LEGISLATIVE AND OTHER MANDATES.....	10
8. ORGANISATIONAL STRUCTURE.....	11

PART B: PERFORMANCE INFORMATION

12

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES.....	13
2. OVERVIEW OF PERFORMANCE.....	13
3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION.....	15
4. REVENUE COLLECTION.....	27

PART C: GOVERNANCE

28

1. INTRODUCTION.....	29
2. PORTFOLIO COMMITTEE.....	29
3. THE BOARD.....	29
4. RISK MANAGEMENT.....	34
5. INTERNAL CONTROL.....	34
6. INTERNAL AUDIT AND AUDIT, RISK AND ICT COMMITTEE.....	34
7. COMPLIANCE WITH LAWS AND REGULATIONS.....	35
8. FRAUD AND CORRUPTION.....	35
9. MINIMISING CONFLICT OF INTEREST.....	35
10. CODE OF CONDUCT.....	36
11. BOARD SECRETARY.....	36
12. AUDIT, RISK AND ICT COMMITTEE REPORT.....	36
13. B-BBEE COMPLIANCE PERFORMANCE INFORMATION.....	38

PART D: HUMAN RESOURCE MANAGEMENT

39

1. INTRODUCTION.....	40
2. HUMAN RESOURCES OVERSIGHT STATISTICS.....	40

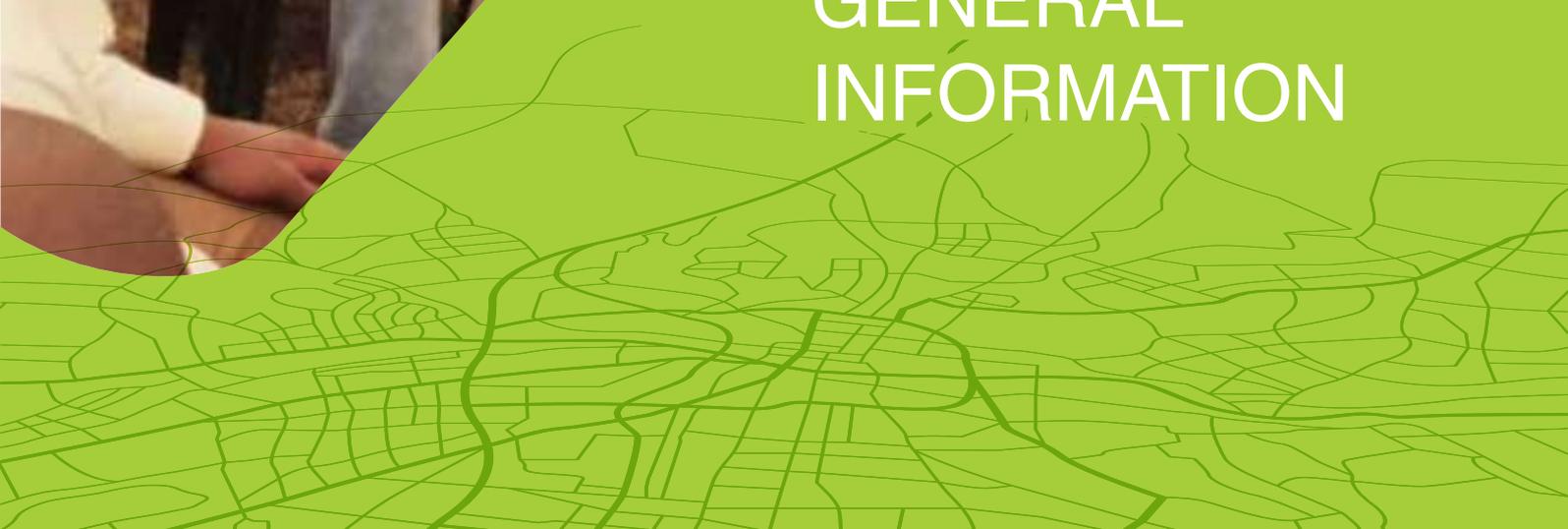
PART E: FINANCIAL INFORMATION

46

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MUNICIPAL DEMARCATION BOARD...	47
2. ANNUAL FINANCIAL STATEMENTS.....	51



PART A
GENERAL
INFORMATION



1

ADMINISTRATION AND CORPORATE INFORMATION

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

The 2021/22 MDB Annual Report is also available on www.demarcation.org.za

2

LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
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
DPSA	Department of Public Service and Administration
ERP	Enterprise Resource Planning
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
IEC	Independent Electoral Commission
ICT	Information and communications technology
IGR	Inter-Governmental Relations
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
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NSA	National Strategic Plan
NT	National Treasury
NYDA	National Youth Development Agency
PFMA	Public Finance Management Act 1 of 1999
SALGA	South African Local Government Association
SCM	Supply Chain Management
TR	Treasury Regulations



It gives me great pleasure to present to you the Municipal Demarcation Board (MDB) Annual Report for the 2021/22 financial year. This report comes at a time when the Municipal Demarcation Board has endured many significant challenges including inadequate financial and human resources that extended due to lack of regional representation and consequential impact of COVID-19 conditions, which, to some extent, constrained the entity from performing optimally in terms of its mandate. Conversely, substantial milestones were achieved during these uncertain times and the entity continued to meet its mandated responsibilities towards key stakeholders and members of the public.

Regardless of the circumstances, the entity continued to rise above its challenges and committed to achieving its strategic performance targets and priorities as set out in all its programmes. The following deliverables were achieved among others:

- Conclusion of the Committees and Board self-performance evaluation (assessment of the performance and effectiveness of MDB's Board, Board Committees, Board members and Committee Chairpersons, etc);
- Attained an unqualified audit opinion with no findings (clean audit) from the Auditor-General of South Africa (AGSA) for the 2020/21 financial year;
- Analysed 213 municipalities in terms of administrative and service areas in relation to municipal boundaries;
- Developed a multi-criteria decision support tool for the municipal boundary re-determination process; and

- Public and stakeholder awareness and education activities were conducted on demarcation processes, specifically on the forthcoming municipal boundary re-determination process.

The MDB is pleased to report that during the reporting period, the Cabinet considered amendments to the Demarcation Legislation in the form of the Independent Municipal Demarcation Authority Bill (IMDA, 2021). Whilst this Bill seeks to simplify several issues relating to municipal demarcation, including the role and composition of the MDB, it further improves our responsiveness to demarcation issues affecting key stakeholders and members of the public. Once adopted into law, the Bill will replace the current Local Government: Municipal Demarcation Act of 1998.

Our achievements are always attributed to the role and impact MDB key partners continue to respectively play and bring in the work that we do. These partners include but not limited to the Department of Cooperative Governance and Traditional Affairs (CoGTA), National Treasury (NT), the Independent Electoral Commission (IEC), Statistics South Africa (StatsSA), South African Local Government Association (SALGA), Financial and Fiscal Commission (FFC) and office of the Chief Surveyor General (CSG). The scope of partnerships has been widened further to consider the role of youth in demarcations as well.

Driven by a mutual desire to empower our youth, we have already forged a partnership with the National Youth Development Agency (NYDA) and will expand our reach to other key sectors that deal with women and people with disabilities to ensure that no one is left out of the demarcation process. This commitment is to not only enhance this partnership but to also strengthen our public participation effort as evidenced in an initiative we undertook in March 2022, through a successful online webinar where we invited and engaged the youth on demarcation and spatial matters.

Stakeholders and members of the public continue to voice their dissatisfaction and objections with the final outcomes of the ward delimitation process, even though the programme was long concluded and published in the relevant provincial gazettes late in December 2020. The MDB received queries from municipalities such as Mogalakwena (Limpopo Province), Steve Tshwete (Mpumalanga Province), Jozini local municipalities and Ethekwini metropolitan municipality (KwaZulu Natal).

As a public entity, we cannot turn a blind eye on these activities related to one of our key mandates and thus we have taken it upon ourselves to directly engage the affected communities, through formal communication and meetings to clarify matters.

Even though we have engaged and will continue to engage all stakeholders on queries they raise with us, we also acknowledge that there is general misunderstanding of the role and processes of MDB. This reality challenges us as the constitutional entity to invest in our institutional innovation capability to further explore mechanisms in which we can effectively engage members of the public and stakeholders for empowerment and educational purposes.

In the past year or so, we have received several requests for boundary re-determinations, most of these form the current batch of proposals received by 31 March 2022 deadline for submissions. It is important to note that a sizeable proportion of municipal boundary re-determination proposals received are motivated by matters which are ill addressed by the change of a municipal boundary but rather through interventions measures from national and provincial government. Issues emerging from such proposals include among others:

- Poor municipal service delivery;
- Allegiance to tribal or traditional leadership;
- Party political instability and contestations in local areas;
- Long standing dissatisfaction with provincial boundaries;
- Perceived benefits for re-categorisation of a municipal area into a Category A municipality etc.

In preparation for the next important task and looking ahead, we will continue the momentum of the past financial year as we seek to position the entity for the mammoth task of outer boundary re-determinations in the current period leading up to 2023. A comprehensive boundary re-determination programme has been developed which deals with opportunities for public and stakeholder participation and consultation, timelines, and other related processes as we seek to facilitate changes to municipal outer boundaries which must address key demarcation problems in our municipalities.

During this year, one of the Members of the Board, Ms Jane Thupana, resigned after having served the Board for a full term as the Chairperson (2014 to 2019) and for almost three out of the five years of her second term. She left having laid a firm foundation for the entity through her role both as the Chairperson of the Board and the Chairperson of the Board's Ward Delimitation and Boundary Determinations Committee, both of which she led with distinction. With her departure, the Board

continues to manage with only nine members as it approaches the end of its tenure.

The Board also parted ways with its former Chief Executive Officer (CEO), Mr Muthotho Sigidi, who served the full term of his five-year employment contract with the Board from 1 February 2017 to 31 January 2022. Mr Sigidi's departure leaves an indelible mark on the MDB. On behalf of the Board, we are grateful for his selfless leadership and guidance which led us to where we are today. The process to appoint a new CEO is currently underway to ensure that the vacant position is filled timeously, and a smooth transition is facilitated.

Acknowledgements/appreciation

I am thankful to the continued guidance, support, and oversight by the Portfolio Committee on Cooperative Governance and Traditional Affairs and wish to indicate that the Board will continue to cooperate closely and strengthen its working relationship with the Committee where it matters most. Let me also express my gratitude to the Minister of CoGTA, Honourable Nkosazana Dlamini Zuma, for her support and engagements on issues related to functions and powers of the Board.

My appreciation also goes to this Board for its relentless support and oversight towards the realisation of the purpose and mandate of this entity. Your collective vision is vital to the commitment for a developmental local government and improvements in the livelihoods of our communities. I also take pride in the commitment and dedication shown by the management team and staff who have invested time and effort to see this entity thrive and succeed even under the most difficult circumstances.

As we head into the new financial year, it is our intention to build on the current capabilities, vision and plan and improve on not only every aspect of our administrative and operational functions but also the high-level performance and delivery that has continued to characterise this entity.



Thabo Manyoni
Chairperson

Municipal Demarcation Board
30 July 2022

4

CHIEF EXECUTIVE OFFICER'S OVERVIEW



The Municipal Demarcation Board's constitutional mandate is derived from section 155 and 157 of the Constitution of 1996. The legislative mandate is outlined in the Local Government: Municipal Demarcation Act 27 of 1998 (MDA) and the Local Government: Municipal Structures Act 117 of 1998 (MSA) and include the following:

- Determination of municipal outer-boundaries;
- Delimitation of municipal ward boundaries;
- Assessment of municipal capacity; and
- Rendering of advisory services to stakeholders

This Annual Report provides a detailed account of the MDB's performance against its Strategic Plan, Annual Performance Plan (APP) and expenditure on its budget. During the period under review, the MDB achieved 95 percent of its set targets. This milestone was achieved despite challenges caused by the COVID-19 pandemic and the continued fiscal constraints.

General financial review

Revenue for the year under review amounted to R71 425 million compared to R63 680 million in the 2020/21 financial year. The MDB's main source of revenue is the government grant, which is 99% of its total revenue. The rest is made up of interest income generated from the bank.

Total expenditure for the year under review amounted to R59 817 million, compared to R63 669 million in 2020/21. The negative variance of R11 608 million between revenue and expenditure is mainly due to the delay in the commencement of the municipal boundary redetermination process. The municipal boundary redetermination was meant to have commenced in June 2021. However, the delayed local government election forced the MDB to postpone the commencement of the municipal boundary redetermination process to April 2022. The funds from the variance above were meant to be used for research work, publication of newspaper notices and public participation for the municipal boundary redetermination process if it commenced in June 2021.

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

	2019		2020		2021		2022	
	R'000	%	R'000	%	R'000	%	R'000	%
Income	56 997	-5%	63 330	12%	63 680	-1%	71 425	12%
Voted funds	55 568	-4%	64 628	-14%	63 017	-2%	70 601	12%
Other income	1 928	-28%	1 062	-82%	663	-38%	824	24%
Expenditure	60 463	17%	56 708	-7%	63 669	12%	59 817	-6%
Board members Remuneration	3 781	1%	4 809	21%	4 865	1%	4 182	-14%
Salaries	28 341	6%	32 367	12%	36 091	12%	35 874	-1%
Project expenses	4 355	7%	-	-	-	-	-	-
Advertisement and promotion	154	-60%	1 333	-88%	1 841	-28%	3 503	90%
Lease payment	3 965	6%	3 571	-11%	3 257	-9%	3 293	1%
Publications	449	10%	482	7%	6 673	<100%	-	-
Audit	2 291	-32%	2 103	-9%	2 567	22%	2 249	14%
Travel cost	1 969	-9%	370	42%	367	-1%	488	-25%
Other operating expenses	15 299	56%	10 006	-53%	8 019	1%	10 380	-177%
Surplus/deficit for the period	(2 967)	-	8 622	-	(2)	-	11 456	-

Capacity constraints and challenges

The entity continues to be financially constrained which affects the intended regionalisation process and the desire to have Provincial offices and the expansion of personnel.

Discontinued key activities/ activities to be discontinued

Despite the challenges, there were no key activities discontinued as per plan. The MDB achieved 95 percent of its deliverables as per its 2021/22 APP.

New activities

The MDB's future plans are included in the Strategic Plan for 2020 to 2025 and the APP for 2022/23. These activities are aligned with government priorities as outlined in the Medium-Term Strategic Framework (MTSF) and National Strategic Plan (NSP). No new activities were introduced in the 2021/2022 financial year.

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 Public Finance Management Act 1 of 1999, as amended (PFMA).

Supply chain management (SCM)

Concluded unsolicited bid proposal for the year under review

During the period under review, there were no unsolicited bid proposals received or concluded.

SCM processes and systems

The institution has an SCM unit in the Finance Division, in accordance with the approved organisational structure. The unit supports and facilitates all divisional demand/ procurement plans and consolidates these into the organisational procurement plan. This organisational procurement plan is produced annually and outlines all procurement of the organisation including procurement that is submitted to the NT as required.

There are three committees that assist the procurement of goods and services, the Bid Specification Committee (constituted as and when required), the Bid Evaluation Committee and the Bid Adjudication Committee. All procurement of the organisation is guided by the broader supply management prescripts issued by the NT and the organisational procurement policy that is reviewed annually to ensure that it is aligned to NT's SCM prescripts.

Challenges experienced and resolved

Even though several interventions by means of engagements with MECs and Mayors were held during the latter part of the financial year, a significant number of municipalities had by the 31st of March 2022 not updated their capacity assessments regarding performed powers and functions. However, MDB will continue in 2022/23 to seek intervention and to assist municipalities to update their data in terms of municipal capacity to perform its powers and functions.

Audit report matters in the previous year

MDB achieved an unqualified audit opinion with no findings for the year. The Auditor-General of South Africa (AGSA) did not identify any material findings on the usefulness and reliability of the reported performance information as well as on compliance with key legislation in the previous financial year.

Plans to address financial challenges

In terms of Section 36 of the MDA the MDB is entitled to money appropriated annually by Parliament to enable it to perform its functions effectively. The Act further provides, that it may receive money from any other source through the National Revenue Fund, but it may not borrow any money. The MDB does not have any revenue generating activities and hence depends wholly on its allocation from the National Fiscus.

Despite the above, the MDB has developed a funding strategy to secure additional funding to enhance financial sustainability by appraising NT and the Portfolio Committee on CoGTA, of the institution's financial constraints. Unfortunately, the contraction of the economy worsened by the COVID-19 pandemic meant that the MTEF allocations of all public entities are revised downwards, and thus additional funding could not be secured.

Events after the reporting date

A case was referred to the CCMA by the former Chief Executive Officer regarding the renewal of his employment contract. The CCMA dismissed the case and there is no liability payable.

Economic viability

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

Acknowledgements

The MDB acknowledges the contributions of Board members, Executive Management and all the staff members in the achievement of all set goals contained in this Annual Report.

Acknowledgements

The MDB acknowledges the contributions of Board members, Executive Management and all the staff members in the achievement of all set goals contained in this Annual Report.



Aluwani Ramagadza
Acting Chief Executive Officer

Municipal Demarcation Board
31 May 2022



5

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General of South Africa (AGSA).

The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls and has been designated to provide reasonable assurance as the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2022.



Aluwani Ramagadza
Acting Chief Executive Officer

Municipal Demarcation Board
30 July 2022



Thabo Manyoni
Chairperson

Municipal Demarcation Board
30 July 2022

6

STRATEGIC OVERVIEW

Vision

Spatially transformed, just and sustainable communities.

Mission

To create the spatial conditions for sustainable development and transformation of local communities through the demarcation of municipal and ward boundaries, provision of advisory services and serving as a knowledge hub to our stakeholders to promote socio-economic development, democratic participation, equality and access to services.

Values

Value	Principles
Impartiality	Fair and objective
Transparency	Openness in all our activities
Excellence	Providing quality services
Inclusivity	Accessible and considerate to all
Integrity	Beyond reproach

7

LEGISLATIVE AND OTHER MANDATES

The work of the 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 independently determine municipal boundaries and to delimit wards.

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 assist government departments to align their service delivery boundaries to municipal boundaries.

Court rulings

- During the year under review there have not been any court rulings.
- However, 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 few lessons from these litigations, particularly matters related to improved public participation and consultation in demarcation matters.

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

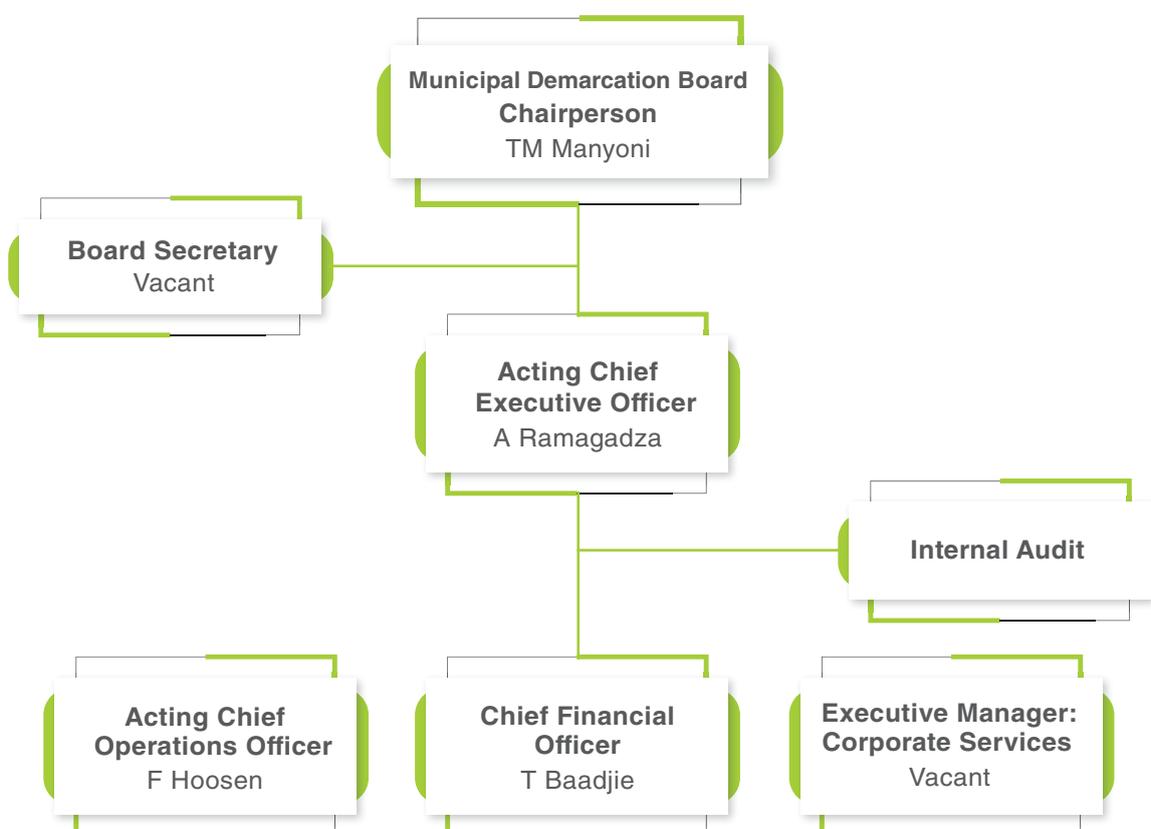
The following legislation and regulations are applicable:

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
Public Finance Management Act 1 of 1999, as amended (PFMA)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)
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
Protection of Personal Information Act 4 of 2013
Treasury Regulation issued in terms of the PFMA

Name of controlling entity

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

8 ORGANISATIONAL STRUCTURE





PART **B**

PERFORMANCE
INFORMATION



1

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General 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 predetermined objectives is included in the report to management, with material

findings being reported under the predetermined objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 48 of the Report of the Auditor-General, published under Part F: Financial Information.

2

OVERVIEW OF PERFORMANCE

2.1. Service delivery environment

As a key element of its vision, the MDB needs to ensure that there is regular public engagements across the country to encourage participation in its demarcation processes.

The MDB's current set-up is highly dependent on municipalities or departments to facilitate a number of its public and stakeholder awareness and education activities. These dependencies perpetuate perceptions that undermine the independence of the MDB and provides compelling reason to capacitate the MDB to establish a localised footprint to get closer to communities, and to deepen local democracy and citizen participation. However, due to the limited resources appropriated to the MDB this has not been realised. With the advent of the COVID-19 pandemic and resultant social distancing measures, new and innovative ways, involving less physical interaction have been established to bring the message across to citizens and stakeholders. During the year under review the Board further investigated and utilised alternative pathways, such as social media and other virtual interactive platforms to reinforce the traditional mode of participation in consultation with key stakeholders.

Continued lack of understanding and knowledge among stakeholders about its work impelled the MDB to strengthen its partnerships and engagement with all stakeholders. It strengthened its involvement in bilateral engagements and multi-stakeholder forums. The latter included intergovernmental relations forums such as CoGTA MinMEC, provincial CoGTA MEC/municipality forums, SALGA National Members and Provincial Members Assemblies and district IGR forums, amongst others.

The MDB's primary stakeholders include CoGTA, IEC, SALGA, provincial departments responsible for local government, traditional leadership, Portfolio and Select committees on Cooperative Governance and Traditional Affairs, municipalities, the Chief Surveyor-General, Department of Land Reform and Rural Development, Statistics South Africa, members of the public, and the media.

Municipalities continue to underperform, displaying poor levels of governance resulting in high levels of dysfunctionality and poor service provision. Consequently, the MDB has seen an increase in requests to amalgamate municipalities with the hope of improving financial viability, social cohesion, integration and functionality. After 20 years of demarcation, the focus may have changed to elevating certain factors of demarcation over others rather than treating them equally. It is not always possible for the Board to satisfy these variant expectations. Our research shows that such amalgamations do not assist in attaining municipal financial viability, social cohesion or spatial transformation.

The frequent requests for the MDB to categorise certain municipal areas into category A municipalities points to a changing trajectory shown by various studies in South Africa and elsewhere that the world is urbanising. The sensitive and contentious nature of demarcation cannot be overemphasised and has manifested in community protests, complaints and litigations against the decisions of the Board.

Over a number of years, the challenges of the district system of municipalities have become clear, as very few are performing justifiable number of powers and functions.

Stronger category B municipalities, i.e., municipalities with intermediate or secondary cities, overshadow district municipalities. The introduction of the District Development Model (DDM) has breathed a new lease of life into the role of district municipalities in the country and should be looked at with initiatives such as the Gauteng City Region and the Karoo development initiative, which have revealed the need for and importance of inter-municipal cooperation.

The 2018 MDB municipal capacity assessments pointed to a general lack of understanding of municipal powers and functions. This requires urgent attention if the functionality of local government and service delivery are to be improved. It is imperative that the minimum norms for capacity are determined to provide for standardisation across all municipalities as the lack of these norms and standards compromises the quality of assessment reports. Further, this will assist the MDB to be specific in advising MECs in adjusting functions between the Bs and Cs and ultimately informing demarcation decisions.

2.2. Organisational environment

During the 2015 to 2019 MTSF period, the MDB improved its organisation performance from 59 percent in 2015/16 to achieving 95 percent of its outputs in 2021/22. This proves that strategic and organisational planning and performance monitoring processes have vastly improved. Similarly, governance, supply chain and financial management processes also improved. This is evident in the MDB having received unqualified audit opinions with no findings (clean) from the AGSA every year, since the 2018/19 financial year.

Even though the MDB's financial and human resources are inadequate for the organisation to fulfil its mandate, the MDB's personnel possesses competencies, experience and expertise in demarcation, that coupled with leadership stability augured well for the MDB. The anomalies in the current organisational structure need to be rectified to create the ideal structure for capacitation, which will enhance local participatory democracy by allowing the public direct access to MDB services.

The MDB has, as part of its capacitation implementation plan, proposed an incremental funding approach to National Treasury and CoGTA. The MDB will not be able to fully achieve its outcomes for the 2021 to 2025 strategic planning period without the corresponding capacitation. In the view of the current economic downturn and the impact of the COVID-19 pandemic to the national fiscus, it is unlikely that the MDB will proceed with its plans as outlined above as the MDB's MTEF allocation has been significantly reduced.

The MDB's current organisational structure consists of 48 funded positions, of these positions, 26 are occupied by women (54%) and nine are classified as youth. Thirty per cent (36%) of the senior management positions are occupied by women. Currently the MDB has not employed any person(s) with disability and efforts are made during its recruitment processes to encourage persons with disabilities to apply for available positions. For the 2021/22 financial period 21 employees were trained in various relevant short courses, 14 were women, and four fall within the classification of youth.

By the end of the review period, Cloud services were introduced at the MDB, and all services will be migrated to Cloud during the 2022/23 financial year. This will enable uninterrupted access to information, which will augment human resource capability within systems and processes. A future is envisaged where systems will be incorporated into an enterprise resource planning (ERP) system that will offer a shared central database that supports multiple functions used by different business units. ERP systems integrate various functions of an organisation into one complete system to streamline the processes and information in the entire organisation. Furthermore, cloud services will broaden and extend the MDB's capability to conduct virtual meetings, as well as the provision of customer-friendly information through broader media platforms. Spatial information and other data products will be accessible through the GIS Portal located on the MDB website.

2.3. Key policy developments and legislative changes

During the period under review, Cabinet considered amendments to the Demarcation Legislation in the form of the Independent Municipal Demarcation Authority Bill (IMDA, 2021). Whilst this Bill seeks to simplify several issues relating to municipal demarcation, including the role and composition of the MDB it further improves our responsiveness to demarcation issues affecting key stakeholders and members of the public. Once adopted into law, the Bill will replace the current Local Government: Municipal Demarcation Act of 1998.

2.4. Progress towards achievement of institutional Impact and Outcomes

In pursuit of organisational and corporate governance excellence, the MDB worked on improving operational systems and processes identified. For the third year in a row (2018/19 to 2020/21) the MDB obtained an unqualified audit opinion, with no findings 'clean audit' from the AG.

In pursuit of well-defined municipal spaces, the MDB opened the municipal outer boundary re-determination process and promoted the submission of proposals for boundary re-determinations to be considered during 2022/23. To ensure proper application of the criteria as set out in the MSA, a decision support tool was developed for use during the forthcoming municipal outer boundary re-determination process.

To further enhance its legislative mandate and build the research and knowledge repository, two more research papers were produced to enhance the exiting MDB research base. In addition, reports on norms and

standards for municipal capacity were completed. These reports will be invaluable in the future. Data collection for municipal capacity to perform its powers and functions commenced but could not be completed by year-end. Data products and other spatial information were consolidated into the spatial knowledge hub

The MDB explored effective and efficient ways to respond to communication challenges brought by COVID-19 by sharing information on its demarcation processes through social media and electronic and traditional communication channels to contribute positively to democratic citizenry.

3

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1. Programme 1: Administration

Purpose:

To ensure adequate and sustainable resources, capabilities and core competencies to aid the achievement of the MDB mandate. The MDB will continue to invest in its people, systems and processes. The intention over the next five years is to enhance best practice governance in administrative and financial control systems, capability and a financially resourced, staffed and structured MDB with the required infrastructure to fully execute its mandate.

This programme consists of two components, namely corporate services and financial management:

Corporate Services focuses on the following:

- Legal services
Facilitate the provision of legal services and advice to the MDB, which includes litigation, employment law, lease matters, legal advice and guidance, legal opinions and documentation preparation as well as drafting. This unit is also responsible for contract management at the MDB.
- Board support
Ensure effective and efficient operation of the Board and its committees. Concerted efforts are made to ensure that the Board receives all information punctually to facilitate informed decision-making in the performance of oversight responsibilities and fiduciary duties.

- Human resources
Facilitate 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 the MDB's mandate. This includes the realignment of posts on the organisational structure in support of strategic objectives.
- Administration
Administrative support services in facilities and records management, occupational health and safety, and auxiliary services.
- Corporate planning
Support to management for the development of the Strategic Plan, Annual Performance Plan, operational plans and quarterly performance reviews and reporting on performance against pre-determined objectives.
- ICT support
Enable 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. This should provide and maintain a sustainable and secure ICT service that supports the governance of the MDB. It applies to internal operations, e.g., electronic document management and cost efficiency, collaboration with stakeholders and the public, and decision support.

Financial Management focuses on the following:

- Financial management
Maintenance of effective, efficient and transparent systems of financial management to deliver accurate financial information for timeous decision-making.
- Risk management
An effective risk management system that informs the strategic planning process and the internal audit plan. The unit further identifies the strategic risks and assessment thereof in inherent and residual risk exposure.

- Supply chain management
An appropriate procurement system that is fair, equitable, transparent, competitive and cost effective to prevent irregular, fruitless and wasteful expenditure.
- Asset management
Effective systems and processes to acquire, safeguard, maintain and dispose of assets, including tangible and intangible assets such as information copyright.

This programme encapsulates our continuous strive for organisational excellence and good corporate governance.



Outcomes, Outputs, Output indicators, Targets and Actual Achievement

Programme 1: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
Organisational excellence	Implementation rate of Board resolutions	Percentage Board resolutions implemented	N/A	96,4%	100%	100%	None	N/A
	Committees and Board performance evaluated	Committees and Board self-performance evaluation	N/A	N/A	Committees and Board self-performance evaluation conducted	Conducted a committees and Board self-performance evaluation	None	N/A
	Reports on compliance with relevant legislation	Number of reports on monitoring of compliance with relevant legislation submitted	4	4	4	4	None	N/A
	Organisational performance review sessions conducted	Number of organisational performance review sessions conducted	4	4	4	4	None	N/A
	ICT governance reports	Number of ICT governance reports submitted	4	4	4	4	None	N/A

Programme 1: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
	Vacancy rate of funded positions	Percentage vacancy rate of funded positions over the period monitored	4%	2%	10%	6.25%	3,75%	Vacancy rate is within 10% for the period monitored
	Training interventions provided	Number of staff members provided with training interventions	N/A	20	14	21	7	Due to restriction on gatherings and social distancing measures in terms of the COVID-19 pandemic risk mitigation measures, training institutions offered virtual engagements with no restrictions on the number of attendees for a course to take place. As a result, there were minimal challenges relating to logistics of

								training such as suitable dates and number of delegates per class. Therefore, a higher number of staff members were provided with training interventions than originally planned.
	AGSA report	Maintain the audit opinion expressed by AGSA	Unqualified audit opinion, with no findings (clean) issued	Unqualified audit opinion with no findings (clean) issued	Unqualified audit opinion with no findings (clean) issued	Unqualified audit opinion with no findings (clean) issued	None	N/A
	Financial management reports	Number of financial management reports submitted	4	4	4	4	None	N/A
	Strategic risk register	Annual strategic risk register developed	Annual Strategic risk register developed by end March 2020	Annual Strategic risk register developed by end March 2021	Develop annual strategic risk register by end March 2022	Annual Strategic risk register developed by end March 2022	None	N/A
	Risk mitigation reports	Number of risk mitigation reports submitted	N/A	4	4	4	None	N/A
	Report on implementation status of audit recommendations	Percentage of audit action plan implemented	100%	100%	100%	100%	None	N/A

Similarly, to prior years, for the period under review all output indicators in the programme have been fully achieved.

For the period under review performance exceeded the planned target in terms of training interventions provided to staff members as most short courses could be offered as virtual engagements with no restrictions

on the number of attendees for a course to take place. Of the 21 staff members trained, 14 are women and eight are classified as youth. Eight are classified as youth.

3.2. Programme 2: Demarcation and Spatial Transformation Excellence

Purpose:

To determine and re-determine municipal outer boundaries and delimit wards for all municipalities that qualify to have wards to enhance spatial justice, equality and efficiency, and deepen democracy and active citizenry.

This programme contributes towards our intended outcome to provide well-defined municipal spaces that will enable sustainable municipalities to fulfil their constitutional obligations.

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

Programme 2: Demarcation and Spatial transformation excellence								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
Well-defined municipal spaces	Reports on preliminary analysis of municipal boundary re-determination proposals	Percentage of municipal boundary re-determination proposals, received by 31 March 2021 analysed	N/A	N/A	100%	100%	None	N/A
	A multi-criteria decision support tool for municipal boundary re-determination	Develop a multi-criteria decision support tool for municipal boundary re-determination	N/A	N/A	Multi-criteria decision support tool for municipal boundary re-determination developed	Developed the multi-criteria decision support tool for municipal boundary re-determination	None	N/A

Programme 2: Demarcation and Spatial transformation excellence								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
Well-defined municipal spaces	Reports on analysis of administrative and service areas in relation to municipal boundaries	Number of municipalities analysed in terms of administrative and service areas in relation to municipal boundaries	N/A	N/A	213	213	None	N/A

Since the MDB resolved not to deal with major municipal boundary re-determinations in 2017, stakeholders and members of the public took the initiative and submitted municipal boundary re-determinations proposals between 2019 and 2021. The re-determination of municipal boundaries sparks a lot of controversy, leaving many citizens aggrieved at the end of the process. Therefore, the MDB embarked on a project to enhance the information used during the demarcation process. The aim of this analysis was to categorise the proposals received into a specific class or type of redetermination and to establish if the application was motivated in terms the criteria for demarcation (Section 24 and 25 of the MDA and Section 2 of MSA for categorisation). During the review period the MDB analysed all municipal boundary proposals (44 proposals in total). The municipal outer boundary re-determination

process requires the Board to make a decision after assessing multiple criteria and indicators which affect a particular demarcation proposal. As a result, a tool for handling complex models of criteria, assessing proposals and visualising the results to support decision making was developed to serve as an evidence-based system for assessing the demarcation proposals in the upcoming municipal boundary redetermination process. The multi-criteria decision support tool will be fully implemented during the municipal outer boundary re-determination process commencing in the 2022/23 financial year.

When MDB demarcated the first set of wall-to-wall municipalities in 2000, service departments like the Department of Health (DoH), Department of Justice and Constitutional Development (DoJCD), Department of Education (DoE), Department of Transport (DoT),

South African Police Services (SAPS), etc were advised to align their service boundaries to those of Local and District municipalities to ease the administration of services within municipal areas. Some departments took the advice and immediately adopted the MDB's boundaries. However, other Departments only commenced later, and these departments were unable to fully align to the municipal boundaries. During the past demarcation processes the MDB was inundated with municipal boundary proposals due to the misalignment of service delivery boundaries. Therefore, the MDB embarked on the project to analyse administrative and service areas in relation to municipal boundaries. The aim of this project was to identify the misalignments and engage with the relevant departments to start the process of alignment. During the 2021/2022 financial year the MDB analysed 213 municipalities in relation to boundaries of the DoH and DoJCD.

3.3. Programme 3: Research, Spatial Information and Intelligence Development

Purpose:

To establish an end-to-end integrated system for generating, processing, leveraging and managing spatial data, research, information and knowledge for informed and evidence-based decision-making and to provide proficient advisory services. This entails the development of strategic research, spatial data analysis

and information development to facilitate innovation and access to spatial knowledge as a meaningful source for sustainable spatial transformation.

This programme contributes towards our intended outcome, to improve access to research and spatial

information that will position the MDB as a centre of spatial knowledge that enables the provision of proactive advisory services to stakeholders, i.e., strategic advice on demarcation, spatial and infrastructure planning to local government.

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

Programme 3: Research, Spatial Information and Intelligence Development								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
Improved access to research and spatial information	Integrated Spatial Knowledge Hub	Integrate MDB spatial data products into spatial knowledge hub	N/A	N/A	Integrate spatial data products into spatial knowledge hub	Spatial data products integrated into spatial knowledge hub	None	N/A
	Norms and standards for municipal capacity	Number of reports compiled on minimum norms and standards for municipalities to perform its powers and functions	8	8	7	7	None	N/A

Programme 2: Demarcation and Spatial transformation excellence								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
	Research reports	Number of research reports produced in line with Research strategy	2	2	2	2	None	N/A
	Updated capacity assessment data available	Number of municipalities with updated capacity assessment data	N/A	N/A	249	142	107	Insufficient number of municipalities updated required data to planned level.

In 2020, the MDB envisioned a research and knowledge repository to enhance its legislative mandate/powers. Compilation of research papers is in line with the mission of the organisation: ‘To create the spatial conditions for sustainable development and transformation of local communities through the demarcation of municipal and ward boundaries, provision of advisory services and serving as a knowledge hub to our stakeholders to promote socio-economic development, democratic participation, equality and access to services.’

The GIS (spatial) data and related products (e.g.,

maps, online applications, etc.) were scattered over different platforms, which resulted in internal and external users finding it difficult to easily access and retrieve data. As a result, it was preferable for MDB to integrate all its spatial data and products onto a single online platform – also known as spatial knowledge hub – to enable internal and external users to interact with the spatial data through intranet and internet and provide interactive maps, dashboards, searchable data repository for users to search, query, and produce customisable reports for their purposes. During the period under review, the spatial knowledge hub was developed as an

online repository for GIS data and products, and its contents would be frequently updated to ensure that it contains relevant data and products which support the work of the MDB. To further build this repository, two research papers were produced for the period under review.

The compilation of reports on minimum norms and standards for municipal powers and functions was conducted over a period of four financial years commencing in 2018/19 and concluded during the period under review. Thirty-eight (38) reports were compiled, the project remains significant as:

- The reports are intended to provide guidance and clarity to MDB, municipalities and other government agencies as to the definitions and the associated norms and standards for municipal capacity to perform each of the Schedule 4 Part B and Schedule 5 Part B functions.
- It enables the comparison of the level of service rendered by the municipalities in respect of the functions as listed in Part B of Schedule 4 and 5 to Section 156(1) of the Constitution; and
- It provides a basis for swift conclusions on the capacity of a municipality to render the powers and functions as listed in section 156(1) of the Constitution.

During the year under review seven reports were compiled, including a consolidated report providing detailed outcomes/findings of the study.

The two research papers alluded to above were:

i. Impact of amalgamations on municipal service delivery: The case of Rand West City Local Municipality and Inkosi Langalibelele Local Municipality

The findings of the study are summarised as follows:

- This study used a mixed-methods approach to assess whether municipal boundary re-determinations resulted in improved service provision in two South African municipalities – Inkosi Langalibelele Local Municipality and Rand West City Local Municipality. The results from this study suggest that amalgamating municipalities did not result in improved service delivery.
- Inkosi Langalibelele Municipality was placed under administration just a year after the merger. It remains under administration to this day.

- In Gauteng, two struggling municipalities, Westonaria and Randfontein, were merged to form Rand West City Local Municipality. In 2016, just before the merger, both Westonaria and Randfontein were identified as financially distressed municipalities and both municipalities were struggling to deliver services before the merger with large (and growing) backlogs in terms of water. The financial situation has worsened in the post-merger municipality with many residents complaining about poor service delivery.
- Evidence from this study does not only suggest that there was no improvement in service delivery after the merger in both Inkosi Langalibelele and Rand West City (particularly in terms of refuse refusal), but also that many of the financial challenges that the struggling pre-merger municipalities had (such as the poor revenue collection which resulted in cash flow problems) worsened after the merger.
- The results suggest that the types of municipalities that were merged (i.e., poor, struggling ones) and the poor management of the transitional phase contributed to some of the problems that the municipalities continue to face. However, many of the problems in Inkosi Langalibelele and Rand West City existed well before the mergers took place. Financial mismanagement, poor governance, corruption, and poor revenue collection cannot be solved by boundary redeterminations.

ii. The reconfiguration of the Gauteng City Region

The findings of the study are summarised as follows:

- Increasing the scale of local government in a quest to eliminate dysfunctional municipalities has been part of an ongoing debate in South Africa. However, the emerging evidence in South Africa suggests that efforts to correct dysfunctional and financial unviability by increasing the scale of local government in South Africa have failed.
- It should be noted though that from experience, increasing or even merging municipalities that are at risk of being dysfunctional may worsen the problem. An example of the merger between Naledi and Mangaung municipality was used in this paper, and it was found that two years after its merger Mangaung was recognised by National Treasury as a financially distressed municipality.

For the year under review municipalities were requested to update their capacity assessment data in the following main categories

- General Information;
- Senior Management;
- Development and Planning;
- Technical Services; and
- Community Services.

Out of the 249 municipalities, 107 municipalities did not comply. Every effort is made to ensure that defaulting municipalities update their data as early as possible in the 2022/23 financial year.

3.4. Programme 4: Stakeholder engagement

Purpose:

To increase the MDB’s effectiveness to deliver on its mandate and rally stakeholders to deepen awareness, understanding and knowledge of demarcation matters through coordinated consultations, meaningful stakeholder and public participation.

This programme contributes towards our intended outcome to improve public and stakeholder participation to ensure awareness and understanding of our processes. MDB remains committed to improve its public participation as such, various innovative

communication channels are deployed to maximise reach and appeal to all citizens including the Youth.

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

Programme 4: Stakeholder engagement and Partnership								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual achievement 2021/22	Reasons for deviations
Improved public and stakeholder participation	Public awareness and education activities	Number of public awareness and education activities completed	4	8	8	10	2	More activities than planned were completed due to forthcoming demarcation processes.
	Stakeholder awareness and education activities	Number of stakeholder awareness and education activities completed	4	12	8	9	1	More activities than planned were completed due to forthcoming demarcation processes.

	Media coverage	Number of items across print, electronic and broadcast media generated by MDB or arising from its work	N/A	14	4	6	2	More activities than planned were completed due to forthcoming demarcation processes.
--	----------------	--	-----	----	---	---	---	---

During the period under review an intensive drive to promote both public and stakeholder awareness and education in demarcation processes and matters was undertaken across a range of media platforms. These included:

‘Know your ward’ campaign, consisting of TV and radio advertisements, radio interviews, as well as small media items consisting of posters put up at municipal offices and other strategic locations, communiques sent to MDB’s contact database and posts on social media pages containing information on how to download and access MDB’s ward information software application.

Bulk short message services (SMS) campaigns to highlight important events such as publication of final wards, information on how to access MDB’s ward application, launch of municipal outer boundary re-determination process, the approaching deadline for submissions of proposals for municipal re-determinations as well as sharing information e.g., ‘frequently asked questions’ were expansively used.

MDB’s new publication ‘Demarcation Bulletin’ which is produced in-house, containing corporate information on the Demarcation Board as well as information

on demarcation processes was developed. This publication is made available through MDB’s website and social media pages.

An article explaining MDB’s mandate and work was published in the Municipal Focus magazine and articles on the forthcoming municipal outer boundary re-determination process were published in the Voice of SALGA, Municipal Focus and Vuk’uzenzele magazines.

Radio and newspaper advertisements, television advertisements (squeeze-back) and taxi rank advertising were deployed to communicate the commencement of the municipal outer boundary re-determination process and the closing date for submissions of proposals for municipal boundary re-determinations. Some of these adverts were translated to local languages to increase awareness and understanding of the re-determination process. A video clip, a hand-out booklet and info graphic posters were produced to explain the municipal outer boundary re-determination process in detail. These platforms were used during the public consultation process for the municipal boundary re-determination process and have been made available on the MDB website and social media pages.

In June 2021, the MDB hosted a webinar themed “Reflecting on the 2021 Electoral Wards and lessons learnt, to unpack how the process was implemented and lessons that emerged following the completion of the process. Following on its success a webinar themed “Youth Perspective on demarcation matters” was hosted in March 2022 to empower and encourage specifically the youth to take interest on demarcation matters including the outer boundary re-determination process. Our aim was to determine what the youth need, how they can be accessed, their challenges and experiences they face in respect of demarcation matters.

During the period under review presentations were made to stakeholder engagements such as the Inter-Ministerial Committee on Local Government Election, COGTA Technical MinMEC and MinMEC, Provincial MuniMECs, SALGA National Conference, Party Liaison Committees and Public Participation Steering Committees.

3.5. Linking performance with budgets

Programme/ activity	2021/22			2020/21		
	Estimate	Actual collected	(Over-)/under-collection	Estimate	Actual collected	(Over-)/under-collection
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	40 162	38 153	2 009	41 532	39 474	2 058
Programme 2: Demarcation and Spatial transformation	13 203	12 473	730	19 521	17 914	1 607
Programme 3: Research, Spatial Information and Intelligence development	6 068	2 773	3 295	2 784	2 726	58
Programme 4: Stakeholder engagement	7 975	6 417	1 558	4 728	4 346	382
Total	67 408	59 816	7 592	68 566	64 460	4 105

4

REVENUE COLLECTION

Sources of revenue	2021/22			2020/21		
	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	70 601	70 601	-	63 017	63 017	-
Interest received	657	803	-146	657	1 100	(443)
Other income	0	21	-21	6	0	6
Total	71 258	71 425	-167	63 680	64 117	(437)



PART C
GOVERNANCE



1

INTRODUCTION

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

The functions and general powers of the MDB are outlined in detail in the MDA. In terms of Section 155 of the Constitution, the MDA and the MSA, the MDB is an independent authority responsible for:

- The determination and re-determination of municipal boundaries
- The delimitation of wards for local elections
- The declaration of district management areas, and the withdrawal of such declarations

- The assessment of the capacity of district and local municipalities to perform their functions
- The rendering of an advisory service on matters provided for in the legislation.

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

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

2

PORTFOLIO COMMITTEE

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

The MDB briefed the Portfolio Committee on Cooperative Governance and Traditional Affairs, on the committee's invitation, twice during the year under review.

3

THE BOARD

Members of the Board, including the Chairperson and Deputy Chairperson, are appointed by the President of the Republic of South Africa, after a selection process laid out in Section 8 of the MDA. There is no limit to the number of terms a member of the Board may serve, except that 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 accountable and responsible for the performance and affairs of the MDB. The Board is, therefore, committed to upholding good corporate governance in all 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. In applying the principles of the Board Charter, the Board 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 2021 and meetings attended in the 2021/22 financial year.

Name	Designation	Date		Other committees	Number of Board meetings attended
		Appointed	Term ended		
Thabo M Manyoni	Board Chairperson	1 March 2019	-	None	4
Mbali P Myeni	Deputy Board Chairperson	1 March 2019	-	Governance, Social and Ethics Committee; Audit, Risk and ICT Committee; Finance Committee; Ward Delimitation and Boundary Determination Committee	4
Jane J Thupana	Board member	1 March 2019	31 January 2022 (Resigned)	Governance, Social and Ethics Committee; Finance Committee; Ward Delimitation and Boundary Determination Committee	3
Albert I Kekesi	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Finance Committee	4
Adv Monnapula P Motlogelwa	Board member	1 March 2019	-	Finance Committee; Research and Knowledge Management Committee	2
Greta Apelgren-Narkedien	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Research and Knowledge Management Committee; Human Capital Committee	4

Name	Designation	Date		Other committees	Number of Board meetings attended
		Appointed	Term ended		
Themba C Dubazana	Board member	1 March 2019	-	Audit, Risk and ICT Committee;	4
Mmatsie S Mooki	Board member	1 March 2019	-	Audit, Risk and ICT Committee; Ward Delimitation and Boundary Determination Committee; Human Capital Committee	4
Dr David M Mohale	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Ward Delimitation and Boundary Determination Committee; Research and Knowledge Management Committee	3
Namso L Baliso	Board member	1 March 2019	-	Research and Knowledge Management Committee; Human Capital Committee	4

During the year under review five extraordinary Board meetings were held to deal with matters that arose from a report submitted by a whistle-blower.

Committees

Committee	Number of meetings held	Number of members	Name of members
Governance, Social and Ethics Committee	4	5	Mbali P Myeni (Chairperson) Jane J Thupana (Resigned, 31 January 2022) Namso L Baliso (Appointed, February 2022) Albert I Kekesi Greta Apelgren-Narkedien Dr David M Mohale
Audit, Risk and ICT Committee	5	4	Dawood Coovadia (Chairperson) Mbali P Myeni Themba C Dubazana Mmatsie S Mooki
Finance Committee	4	March, 21 to Jan '22 – 4;	Albert I Kekesi (Chairperson) Mbali P Myeni Jane J Thupana (Resigned, 31 January 2022) Adv Monnapula P Motlogelwa

Committee	Number of meetings held	Number of members	Name of members
Ward Delimitation and Boundary Determination Committee	4	4	Jane J Thupana (Chairperson) (Resigned, 31 January 2022) Namso L Baliso (Chairperson) (From 08 February 2022) Mbali P Myeni Dr David M Mohale Mmatsie S Mooki
Research and Knowledge Management Committee	4	4	Dr David M Mohale (Chairperson) Adv Monnapula P Motlogelwa Greta Apelgren-Narkedien Namso L Baliso
Human Capital Committee	5	4	Greta Apelgren-Narkedien (Chairperson) Themba C Dubazana Mmatsie S Mooki Namso L Baliso
Other Ad-Hoc Committees			
Joint Ward Delimitation and Boundary Determination and Research and Knowledge Management Committee	2	9	Jane J Thupana (Co-Chairperson) (Resigned, 31 January 2022) Dr David M Mohale (Co-Chairperson) Namso L Baliso Mbali P Myeni Mmatsie S Mooki Adv Monnapula P Motlogelwa Greta Apelgren-Narkedien

During the year under review two joint Ward delimitation and Boundary determination and Research and Knowledge management Committees meetings were held to deal with the framework for the implementation of Section 29 and 30 of the MDA.

Attendance of Board sub-committee meetings

Name	Governance, Social and Ethics		Audit, Risk and ICT Committee		Finance Committee		Ward Delimitation and Boundary Determination Committee		Research and Knowledge Management Committee		Human Capital Committee	
	M	A	M	A	M	A	M	A	M	A	M	A
Mbali P Myeni	4	4	5	4	4	4	4	4	-	-	-	-
Jane J Thupana	4	2	-	-	4	3	4	3	-	-	-	-
Albert I Kekesi	4	4	-	-	4	4	-	-	-	-	-	-
Adv Monnapula P Motlogelwa	-	-	-	-	4	3	-	-	4	4	-	-

Name	Governance, Social and Ethics		Audit, Risk and ICT Committee		Finance Committee		Ward Delimitation and Boundary Determination Committee		Research and Knowledge Management Committee		Human Capital Committee	
	M	A	M	A	M	A	M	A	M	A	M	A
Greta Apelgren-Narkedien	4	4	-	-	-	-	-	-	4	4	5	5
Themba C Dubazana	-	-	5	5	-	-	-	-	-	-	5	5
Mmatsi S Mooki	-	-	5	5	-	-	4	4	-	-	-	-
Dr David M Mohale	4	4	-	-	-	-	4	4	4	4	5	5
Namso L Baliso	4	1	-	-	-	-	4	1	4	4	5	5
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	Total
Thabo M Manyoni	1 622	223	1 622
Mbali P Myeni	323	30	353
Jane J Thupana	189	18	207
Albert I Kekesi	238	30	268
Adv Monnapula P Motlogelwa	177	18	194
Greta Apelgren-Narkedien	293	18	311
Themba C Dubazana	241	18	259
Mmatsie S Mooki	235	18	243
Dr David M Mohale	235	27	262
Namso L Baliso	261	18	279
Dawood Coovadia (ARC)	139	-	139

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, Risk and ICT 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 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, RISK AND ICT COMMITTEE

The Chairperson of the Audit, Risk and ICT Committee is Dawood Coovadia, an external/independent member and a practicing Chartered Accountant (CASA) and

auditor. The table below discloses information on Audit, Risk and ICT 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	29 October 2020	-	4
Themba C Dubazana	Internal	Board member	1 April 2020	-	5
Mmatsie S Mooki	Internal	Board member	1 April 2020	-	5

The internal audit function is an independent appraisal mechanism that evaluates the MDB's procedures and systems (including internal controls, 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:

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
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 include creating awareness, policies and procedures, segregation of duties, internal

audit, ongoing risk assessment and a mechanism for reporting and monitoring allegations.

The MDB, through the Audit, Risk and ICT 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 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 BOARD SECRETARY

The functions of the Board 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 Board 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 Board 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.

12 AUDIT, RISK AND ICT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022.

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

1. Audit, Risk and ICT Committee Charter

The Audit, Risk and ICT Committee has adopted a formal Audit, Risk and ICT 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 the MDB website.

2. Role and responsibilities

2.1. Statutory duties

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

Evaluation of Annual Financial Statements

The Audit, Risk and ICT 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, Risk and ICT 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 2021/22 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, Risk and ICT 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, Risk and ICT 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.

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 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 efficient and effective.

Whistleblowing

Whistle blow complaints, whether from within or outside the organisation, may be referred not only to the Audit, Risk and ICT Committee but also to the Board of

the Municipal Demarcation Board, through the Committee Chairperson and the Chairperson of the Board. During the year under review, allegations of misconduct at the MDB were brought to the attention of the Board and these were accordingly investigated by an independent law firm appointed by the Board and matters were dealt in line with the applicable Whistleblowing Policy prescript of the organisation.

2.2. Duties assigned by the Board

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

Corporate governance

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

Governance of risk

The Audit, Risk and ICT 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, Risk and ICT 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, Risk and ICT 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 the organisation's operations.

The internal auditors are responsible for reporting regularly to the Audit, Risk and ICT Committee the findings of internal audit work against the agreed internal audit plan. The internal auditors have direct access to the Audit, Risk and ICT Committee, primarily through its chairperson.

The Audit, Risk and ICT 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, Risk and ICT Committee:



Dawood Coovadia
Chairperson: Audit, Risk and
ICT Committee

Municipal Demarcation Board
29 July 2022

13

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBEE requirements of the BBEE Act of 2013 and as determined by the Department of Trade and Industry.

Criteria	Response	Discussion
Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law?	N/A	
Developing and implementing a preferential procurement policy?	Yes	Preferential Policy Framework Act 5 of 2000 and its Regulations of 2017 have been fully implemented. Municipal Demarcation Board SCM policy also states that procurement processes must conform to the requirements of PPPFA, Act 5 of 2000 and its regulations.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Developing criteria for entering partnerships with the private sector?	N/A	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	



PART D

HUMAN RESOURCE MANAGEMENT

1

INTRODUCTION

The MDB's organisational structure for the period under review consisted of 48 funded positions, of these positions 26 were occupied by women (54%) and nine are classified as youth. Thirty (30) percent of the senior management positions are occupied by women. Currently the MDB has not employed any person(s) with disability and efforts are made during its recruitment processes to encourage persons with disabilities to apply for available positions.

For the period under review 21 employees were trained in various relevant short courses in accordance with the workplace skills plan, 14 are women, and eight fall within the classification of youth.

Bursaries for higher education qualifications in relevant areas have been awarded to four employees for the period under review of which three are women and one classified as youth. Bursaries awarded for higher education qualifications in 2020/21 are continuing. These were awarded to five women employees of which

three are classified as youth. During the period under review two employees completed their higher education qualifications, one of which is a woman.

The MDB had to amend its office working conditions due to the adjusted response to the national COVID-19 state of disaster. Employees are working on a rotational basis at the office, thereby ensuring all protocols are complied with.

During the year under review, three employee health and wellness initiatives were held.

The Annual Employment Equity Report was submitted to the Department of Labour as per legislated timeframes.

The continued limitations in 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 remains a challenge.

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	38 153	20 420	54%	27	756
Demarcation and Spatial transformation excellence	12 473	11 514	93%	13	886
Research, Spatial information and Intelligence development	2 773	2 723	99%	3	908
Stakeholder engagement and partnership	6 417	1 866	29%	2	933
Total	59 816	36 523	61%	45	812

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	5 075	14%	2	2 538
Senior management	7 418	20%	6	1 236
Professionally qualified	15 190	42%	19	799
Skilled	8 840	24%	18	491
Total	36 523	100%	45	812

Performance rewards

Level	Personnel reward	Personnel expenditure	% of performance reward to total personnel cost
	R'000	R'000	
Top management	0	0	0
Senior management	0	0	0
Professionally qualified	0	0	0
Skilled	0	0	0
Total	0	0	0

Note:

In terms of DPSA determination, payment of performance bonuses has been suspended and therefore no performance rewards were paid during the 2021/22 financial year.

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	20 420	193	1%	17	11
Demarcation and Spatial transformation excellence	11 514	21	0.20%	2	11
Research, Spatial information and Intelligence development	2 723	11	0.4%	1	11
Stakeholder engagement and partnership	1 866	14	0.80%	1	14
Total	36 523	239	0.70%	21	11

Employment and vacancies

Programme	2020/21 number of employees	2020/21 approved posts	2021/22 number of employees	2021/22 vacancies	% of vacancies
Administration	28	30	27	3	10%
Demarcation and Spatial transformation excellence	12	13	13	0	0
Research, Spatial information and Intelligence development	3	3	3	0	0
Stakeholder engagement and partnership	2	2	2	0	0
Total	46	48	45	3	6%

Note:

Two Top Management positions and One Senior Management position is vacant at the end of the financial year. The employment contract of the CEO and Board Secretary came to an end and the position of the Executive Manager: Corporate Services will be occupied early in the new financial year upon finalisation of a long legal case.

Level	2020/21 number of employees	2020/21 approved posts	2021/22 number of employees	2021/22 vacancies	% of vacancies
Top management	3	4	2	2	50%
Senior management	7	7	6	1	14%
Professionally qualified	18	19	19	0	0
Skilled	19	18	18	0	0
Subtotal permanent employees	47	48	45	3	6,3%
Fixed-term contract employees	0	0	0	0	0
Internship programme	0	0	0	0	0
Subtotal contract employees	0	0	0	0	0
Total	47	48	45	3	6,3%

Note:

Two Top Management positions and one Senior Management position is vacant at the end of the financial year. The employment contracts of the CEO and Board Secretary had come to an end and the position of the Executive Manager: Corporate Services will be occupied early in the new financial year after a long legal case has been finalised.

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	3	0	1	2
Senior management	7	1	2	6
Professionally qualified	19	0	0	19
Skilled	17	1	0	18
Total	46	2	3	45

Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	-	-
Resignation	1	2%
Dismissal	-	-
Retirement	0	-
Ill Health	0	-
Expiry of contract	2	4%
Other	0	-
TOTAL	3	6%

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	-
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	1	1	-	-	-	-	-	-
Senior management	3	-	-	1	1	-	-	-
Professional qualified	9	-	-	-	-	-	1	-
Skilled	4	-	-	-	-	-	-	-
Total	17	1	-	1	1	-	1	-

Level	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	-	-	-	-	-	-
Senior management	2	-	-	-	-	-	-	-
Professional qualified	6	-	-	-	1	-	2	-
Skilled	13	-	1	-	-	-	-	-
Total	22	1	1	-	1	-	2	-

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





PART **E**

FINANCIAL
INFORMATION



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 51 to 73, which comprise the statement of financial position as at 31 March 2022, 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 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 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 my report.
4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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 code.
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 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 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 the 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 constitutional institution's approved performance planning documents. 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 do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 programme presented in the annual performance report of the constitutional institution for the year ended 31 March 2022:

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 – Demarcation and Spatial Transformation Excellence

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 15 to 27 for information on the achievement of planned targets for the year and management's explanations provided for the underachievement of a target.

Programme	Pages in the annual performance report
Programme 2 – Demarcation and Spatial Transformation Excellence	20 - 21

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 the 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.



Pretoria
31 July 2022



Auditing to build public confidence

Auditor-General

ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement 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.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 2 – Demarcation and Spatial Transformation Excellence

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 provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

INDEX

The reports and statements set out below comprise of the Annual Financial Statements presented to Parliament:

Statement of Financial Position.....	52
Statement of Financial Performance.....	53
Statement of Changes in Net Assets.....	54
Accounting Policies.....	56-61
Notes to the Annual Financial Statements.....	62

The Annual Financial Statements set out on page 52, which have been prepared on the going concern basis, were approved by the Executive Authority on 31 July 2022 and were signed on its behalf by:



Mr Aluwani Ramagadza
Acting CEO

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note(s)	2022 R'000	2021 R'000
Assets			
Current Assets			
Inventories	3	87	281
Receivables from exchange transactions	4	2 890	1 009
Cash and cash equivalents	5	35 314	25 848
		38 291	27 138
Non-Current Assets			
Property, plant and equipment	6	2 116	2 184
Intangible assets	7	899	1 092
Warranties	8	-	1
		3 015	3 277
Total Assets		41 306	30 415
Liabilities			
Current Liabilities			
Operating lease liability	9	466	419
Payables from exchange transactions	10	3 761	4 332
Provisions	11	-	194
		4 227	4 945
Total Liabilities		4 227	4 945
Net Assets		37 079	25 470
Accumulated surplus		37 079	25 470
Total Net Assets		37 079	25 470

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2022 R'000	2021 R'000
Revenue			
Revenue from exchange transactions			
Interest received - investment	12	803	657
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	14	70 601	63 017
Other non-exchange revenue		21	6
Total revenue from non-exchange transactions		70 622	63 023
Total revenue	13	71 425	63 680
Expenditure			
Employee Costs	15	(35 874)	(36 091)
Depreciation and amortisation	16	(1 182)	(1 244)
Other operating expenses	17	(5 818)	(5 408)
Administrative Costs	18	(16 943)	(20 926)
Total expenditure		(59 817)	(63 669)
Gain/(Loss) on disposal of assets		-	(12)
Total Net Assets		11 608	(2)

STATEMENT OF CHANGES IN NET ASSETS

	2022 R'000	2021 R'000
Balance at 01 April 2020	25 473	25 473
Surplus / (Deficit) for the year	(2)	(2)
Total changes	(2)	(2)
Balance at 01 April 2021	25 470	25 470
Surplus / (Deficit) for the year	11 608	11 608
Total changes	11 608	11 608
Balance at 31 March 2022	37 078	37 078

CASH FLOW STATEMENT

	Note(s)	2022 R'000	2021 R'000
Cash flows from operating activities			
Receipts			
Government Grant Received		70 601	63 017
Interest received		767	727
Other Revenue		18	6
Interest income		-	-
		71 386	63 750
Payments			
Cash paid to employees and suppliers		(61 001)	(62 037)
Net cash flows from operating activities	19	10 385	1 713
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(920)	(665)
Purchase of other intangible assets	7	-	(385)
Other cash item		-	(6)
Net cash flows from investing activities		(920)	(1 056)
Net increase/(decrease) in cash and cash equivalents		9 465	656
Cash and cash equivalents at the beginning of the year		25 848	25 192
Cash and cash equivalents at the end of the year	5	35 313	25 848

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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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 NonCash 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.

1.3 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 derecognised.

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

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

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed,

rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the 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 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 its use or disposal.

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

1.5 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:
 - Derecognise the asset; and
 - Recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The MDB removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.:

1.6 Leases

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

Operating leases - lessee

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

expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

A lease is classified as a finance lease if it transfers 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.

1.8 Employee benefits

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

1.9 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 22.

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

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

1.10 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

1.11 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.

1.12 Comparative figures

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

1.13 Fruitless and wasteful expenditure

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

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

1.14 Irregular expenditure

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

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

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

1.15 Related parties

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person 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.

1.16 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

1.17 Going Concern

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

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

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 2022 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 25	01 April 2022	Unlikely there will be a material impact
GRAP 104	01 April 2022	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note(s)	2022 R'000	2021 R'000
3. Inventories			
Inventories		87	281
Inventory reconciliation			
Opening balance		281	319
Additions		39	58
Consumption		(233)	(96)
Closing balance		87	281
4. Receivables from exchange transactions			
Staff advances		8	-
Deposits		20	20
Interest income accrued		86	50
Prepaid expenses		2 717	862
Staff debtors		59	77
		2 890	1 009
5. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Cash on hand- Petty Cash		6	1
Bank balances- Main Account		99	100
Short-term deposits- Call Account		35 209	25 747
		35 314	25 848

6. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 042	(1 688)	354	2 115	(1 635)	480
Motor vehicles	656	(554)	102	656	(520)	136
Office equipment	188	(149)	39	256	(198)	58
Computer equipment	3 742	(2 244)	1 498	3 400	(2 089)	1 311
Leasehold improvements	2 368	(2 245)	123	2 468	(2 269)	199
Total	8 996	(6 880)	2 116	8 895	(6 711)	2 184

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	480	-	-	(126)	354
Motor vehicles	136	-	-	(34)	102
Office equipment	58	-	-	(21)	39
Computer equipment	1 311	920	-	(733)	1 498
Leasehold improvements	199	-	-	(76)	123
Total	2 184	920	-	(990)	2 116

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	621	-	(2)	(139)	480
Motor vehicles	173	-	-	(37)	136
Office equipment	81	-	-	(23)	58
Computer equipment	1 564	526	-	(779)	1 311
Leasehold improvements	112	139	(11)	(41)	199
Total	2 551	665	(13)	(1 019)	2 184

7. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	2 180	(1 281)	899	2 584	(1 492)	1 092

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1 092	-	(193)	899

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	932	385	(225)	1 092

8. Warranties

	2022 R'000	2021 R'000
Computer Equipment	-	1

Warranties consist of a separate balance included in the purchase of computer equipment. This balance is amortised monthly based on the useful life of the asset. The new computer equipment was purchased with an embedded manufacturers warranty which does not carry a separate charge.

9. Operating lease Liability (accrual)

Current liabilities	466	419
---------------------	-----	-----

10. Payables from exchange transactions

Trade payables	652	771
Leave Accrual	3 109	3 561
	3 761	4 332

11. Provisions

Reconciliation of provisions - 2022

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonus	194	-	(80)	(114)	-

Reconciliation of provisions - 2021

Performance Bonus	981	194	(180)	(801)	194
-------------------	-----	-----	-------	-------	-----

12. Interest received

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Interest revenue					
Bank				803	657

13. Revenue

	2022 R'000	2021 R'000
Bank Interest received	803	657
Government grants	70 601	63 017
Other non-exchange revenue	21	6
	71 425	63 680

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

Interest received and other Income	803	657
------------------------------------	-----	-----

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

Transfer revenue		
Government grants & subsidies	70 601	63 017
Other non-exchange revenue	21	6
	70 622	63 023

14. Government grants

	2022 R'000	2021 R'000
Operating grants	803	657
National Department of Cooperative Governance and Traditional Affairs	70 601	63 017

15. Employee benefit costs

Basic	23 726	24 217
Bonus *	(10)	(607)
UIF	82	82
Leave Payments	108	1 165
Travel, motor car, accommodation, subsistence and other allowances	12	36
Other Non-Pensionable Allowance	10 986	10 194
Insurance Cover	850	882
Other Salary Related Costs	120	122
	35 874	36 091

* Employee cost Detail

The negative amount under Bonus is due to an over provision from the prior period. The bonus provision is based on employee performance however a change in DPISA instruction that limits the amount of bonus that can be paid to public sector employees resulted in an overprovision that needed to be reversed in the current period.

16. Depreciation and amortisation

Property, plant and equipment	990	1 019
Intangible assets	192	225
	1 182	1 244

17. Other Operating Expenses

Consumables	36	57
Courier and delivery charges	8	62
License renewal	1 927	1 579
Rental of building	3 292	3 257
Repairs and maintenance	67	86
Travel and accommodation	488	367
	5 818	5 408

18. Administrative Costs

	2022 R'000	2021 R'000
Advertising	3 503	1 841
External Audit Fees	1 704	1 691
Internal Audit Fees	545	876
Bank charges	28	27
Legal fees	1 828	562
Insurance	215	250
Publications, notices and gazettes	-	6 673
Printing and stationery	262	378
Telephone and fax	122	137
Employee training fees	511	374
Other consulting	1 148	532
Security services	816	941
Members allowance	4 182	4 856
Stationery	274	84
Recruitment costs	44	1
Employee Assistance Programme	31	45
Other expenses	1 730	1 658
	16 943	20 926

19. Cash generated from operations

Surplus/(Deficit)	11 608	(2)
Adjustments for:		
Depreciation and amortisation	1 182	1 244
Gain/(Loss) on sale of assets	-	12
Finance costs	-	6
Movements in operating lease assets and accruals	47	94
Movements in provisions	(194)	(787)
Changes in working capital:		
Inventories	194	38
Receivables from exchange transactions	(1881)	332
Payables from exchange transactions	(571)	671
Recoveries from staff debtors	-	11
	10 385	1 719

20. Financial Instruments

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	106	106
Cash and cash equivalents	35 314	35 314
	35 420	35 420

Financial liabilities

Trade and other payables from exchange transactions	652	652
---	-----	-----

Financial assets

Trade and other receivables from exchange transactions	70	70
Cash and cash equivalents	25 848	25 848
	25 918	25 918

Financial liabilities

Trade and other payables from exchange transactions	771	771
---	-----	-----

21. 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.

Operating leases - the Board as lessee

	2022 R'000	2021 R'000
Minimum lease payments due		
- within one year	2 767	2 610
- in second to fifth year inclusive	3 677	6 444
	6 444	9 054
Other commitments (Contracts and open PO)		
Other Commitments	7 709	5 567

The Board has entered into a lease agreement for a further 5 years with a 6% escalation. The lease will run from 1 July 2019 to 30 June 2024. Lease payments escalate by 6% annually and 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.

22. Contingent liabilities

A case against the MDB has been opened with the CCMA by the former Chief Executive Officer. The Chief Executive Officers contract was not renewed for a second term, the matter is still before the CCMA. The potential liability is R 2 228 820.

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

23. Related parties

Relationships

Non-Executive Members	Refer to Emoluments note 24
Members of key management	Refer to Emoluments note 24
Other entities in public sphere	National Department of Cooperative Governance and Traditional Affairs Government Communications and Information System

	2022 R'000	2021 R'000
Related party transactions		
National Department of Cooperative Governance and Traditional Affairs	70 601	63 017
Government Communications and Information System	1 669	-

24. Emoluments

Executive members

2022

	Emoluments	Other benefits	Total
M Sigidi (CEO) Term ended at 28 February 2022	1 937	259	2 196
A Ramagadza (COO), Acting CEO from 01 March 2022	1 472	24	1 496
T Baadjie (CFO)	1 373	10	1 383
	4 782	293	5 075

2021

	Emoluments	Other benefits	Total
M Sigidi (CEO)	2 232	22	2 254
A Ramagadza (COO)	1 390	13	1 403
T Baadjie (CFO)	1 333	13	1 346
	4 955	48	5 003

Non-executive members**2022**

	Members' fees	Other fees	Total
TM Manyoni (Board Chairperson)	1 622	-	1 622
MP Myeni (Deputy Chairperson)	323	30	353
G Apelgren-Narkedien	293	18	311
NL Baliso	261	18	279
Adv MP Motlogelwa	177	18	195
Dr DM Mohale	235	27	262
MJJ Thupana (Resigned on 31 January 2022)	189	18	207
AI Kekesi	238	30	268
MS Mooki	235	18	253
TC Dubazana	241	18	259
D Coovadia (Chairperson: Audit, Risk and ICT Committee)	139	-	139
	3 953	195	4 148

2021

	Members' fees	Other fees	Total
TM Manyoni (Board Chairperson)	1 399	223	1 622
MP Myeni (Deputy Chairperson)	360	26	386
G Apelgren-Narkedien	303	18	321
NL Baliso	254	18	272
Adv MP Motlogelwa	184	18	202
Dr DM Mohale	348	24	372
MJJ Thupana (Resigned on 31 January 2022)	347	24	371
AI Kekesi	243	20	263
MS Mooki	354	18	372
TC Dubazana	297	23	320
D Coovadia (Chairperson: Audit, Risk and ICT Committee)	354	-	354
	4 443	412	4 855

22. Change in estimate

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:

	Furniture and fitting	Office equipment	Leasehold Improvement	Computer equipment	Total
Before changes in useful lives	1	-	28	325	354
After changes in useful lives	-	-	(55)	(217)	(272)
	1	-	(27)	108	82

26. Risk management

Financial risk management

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

Liquidity risk

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

The following table indicates the maturity analysis for financial liabilities showing the remaining earliest contractual maturities.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2022

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 years
Borrowings	652	-	-	-

At 31 March 2021

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 years
Borrowings	771	-	-	-

27. Fruitless and wasteful expenditure

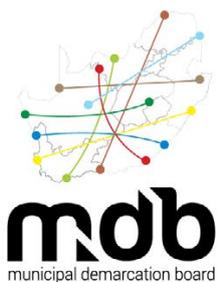
	2022 R'000	2021 R'000
Opening balance as previously reported	-	5
Opening balance	-	5
Add: Fruitless and wasteful expenditure - current	-	12
Less: Amounts recovered	-	(1)
Less: Amounts recoverable - current	-	(11)
Less: Amount written off - prior period	-	(5)
Closing balance	-	-

27. Fruitless and wasteful expenditure

	2022 R'000	2021 R'000
Opening balance as previously reported	7 068	6 970
Opening balance	7 068	6 970
Add: Irregular Expenditure - current (prior-year non-compliance)	524	398
Less: Amounts condoned	(740)	(300)
Closing balance	6 852	7 068

29. Events after the reporting date

A case was referred to the CCMA by the former Chief Executive Officer regarding the renewal of his employment contract. The CCMA dismissed the case and there is no liability payable.



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



@demarcationboardmdb



Municipal Demarcation Board

RP241/2022

ISBN: 978-0-621-50551-1