

**MUNICIPAL  
DEMARCATION  
BOARD**

**ANNUAL REPORT**

**2005/06**

# **Administration and Corporate Information**

## **Registered Address**

Iparioli Park, Block B2, Ground Floor  
1166 Park Street  
Hatfield  
0028

## **Legal form of the Board**

Constitutional Institution

## **Jurisdiction within which it operate**

National

## **Reference to the relevant legislations governing the Board's operations**

The following legislations are applicable:

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

Local Government: Municipal Structures Act 1998

Generally Recognised Accepted Practice

Income Tax Act No 58 of 1962

Value-Added Tax Act No 89 of 1991

Public finance Management Act No 1 of 1999, as amended

Treasury Regulations, March 2005, issued in terms of the PFMA

Preferential Procurement Policy Framework Act No 5 of 2000

All practice notes on Supply Chain Management Act

Employment Equity Act No 55 of 1998

Basic Conditions of Employment Act No 75 of 1997

Labour Relations Act No 88 of 1998

## **Name of the controlling entity**

The Municipal Demarcation Board is independent and therefore does not have a controlling entity.

## **External Auditors**

Auditor General

## **Attorneys**

MacRoberts Incorporated Attorneys

## **Banker**

ABSA Bank of Southern Africa

Published by the Municipal Demarcation Board (The Board/MDB)

Private Bag x28

Hatfield

0028

South Africa

Telephone: +27 12 342 2481

Facsimile: +27 12 342 2480

The 2005/2006 MDB Annual Report is also available on [www.demarcation.org.za](http://www.demarcation.org.za)

**Editorial Co-ordination:** MDB Administration and HR

**Printing and Binding:**

**Enquiries:**

Document enquiries can be directed to:  
Ms Nalini Zoller  
Administration & HR Cluster  
Municipal Demarcation Board  
Private Bag x28  
Hatfield, 0028  
South Africa

Telephone: +27 12 342 2481 ext 202  
Facsimile: +27 12 342 2480  
e-mail: [Nalini@demarcation.org.za](mailto:Nalini@demarcation.org.za)

## **To our Leadership**

### **The Municipal Demarcation Board**

It is my pleasure to present to you the Annual Report of the Municipal Demarcation Board (the Board/MDB) for the financial year 1 April 2005 to 31 March 2006.

I would like to record my appreciation to you, for the support you have given the entire Board staff in the year under review. We value your profound guidance and leadership and we once again pledge our support and commitment to you, in fulfilling the Board's mandate to the best of our abilities.

**MR RAPULANA H MONARE**  
**MANAGER: MUNICIPAL DEMARCATION BOARD**

## **FOREWORD BY THE CHAIRPERSON: MUNICIPAL DEMARCATION BOARD**

During the year 2005/06, the Municipal Demarcation Board has continued to make significant strides in consistently pursuing its Constitutional mandate in terms of the Local Government: Municipal Demarcation Act (No 27) of 1998, and the Local Government: Municipal Structures Act (No 118) of 1998. We have once again been very successful in all of the work areas that constitute our mandate - and this amid limited financial resources to fulfil a number of our strategic objectives.

It is also quite pleasing to me to note that we have received an unqualified audit opinion for this year, after the 2004/05 qualification. Significant efforts have been made by the Manager: Municipal Demarcation Board and his team to ensure that we move in this positive direction, and I expect these efforts to continue in the new year, to ensure that we perform even better the next time around.

At the same time, there are still challenges that must be addressed by the Manager: Municipal Demarcation Board, particularly with respect to:

- Compliance with the requirements of the Supply Chain Management Act and Regulations;
- Tender processes for the procurement of consultants/service providers;
- The internal audit function;
- Internal Control Systems.

As we move forward, and guided by the challenges confronting developmental local government in this second decade the board has, once more, had to revisit its strategic plan. In doing so we had to ask the question "what must be done by the Board in this term (2006—2011) of local government to contribute towards the achievement of a fully viable and consolidated local government system". In this process we have critically evaluated the appropriateness of each strategic objective, streamlined them and clustered them in terms of distinguishable themes.

The challenge that we have is to maintain the high level of success that we have enjoyed over the years, and in this regard, our new Strategic Plan, with the newly adopted Balanced Scorecard approach, represents yet another important milestone in the Board's quest to pursue and to achieve its mandate in that impeccable and consistently professional manner, and this without fear, favour or prejudice.

On behalf of the Municipal Demarcation Board, I wish to thank the Manager: Municipal Demarcation Board and the Staff at the Board, for their hard work and ingenuity. They must now ensure that all the shortcomings that have been identified by the Auditor-General, are properly addressed, to achieve the much better outcomes that my Board expects.

**DR VUYO MLOKOTI**  
**CHAIRPERSON: MUNICIPAL DEMARCATION BOARD**

# CONTENTS

Page

## **Overview by the Accounting Officer**

### **Mandate, Vision, Mission and Values**

### **Organisational Structure**

### **The Board**

#### **Chapter 1: Operational Clusters at the Board**

Cluster 1: Administration and Human Resources Management

Cluster 2: Finance and Procurement Control

Cluster 3: GIS and IT Support

Cluster 4: Research and Investigations

#### **Chapter 2: Performance against pre-determined objectives**

#### **Chapter 3: Summary of Financial Results**

#### **Chapter 4: Details of Financial Results**

Report of the Audit Committee

Management Report

Report of the Auditor-General

Income Statement (Statement of Financial Performance)

Balance Sheet (Statement of Financial Position)

Statement of Change in Net Assets

Cash Flow Statement

Notes to the Annual Financial statements

## **Annexure**

Annexure 1: Oversight Report

## **Tables**

Table 1: Actual Expenditure per cluster

## **OVERVIEW BY THE ACCOUNTING OFFICER**

This Annual Report reflects on the progress and achievements attained, as well as challenges encountered by the Municipal Demarcation Board ("the Board") in the 2005/06 financial year. It also contains a summary of the Board's strategy, achievements which are measured against strategic objectives, outputs and performance indicators.

We also provide details of Financial Statements and the Oversight Report as required in terms of the Local Government: Municipal Demarcation Act (No 27) of 1998, and the Public Finance Management Act (No 29) of 1999.

### ***Consistent Pursuance of the Board's Mandate***

The Board has continued to consistently pursue its Constitutional mandate in terms of the Local Government: Municipal Demarcation Act (No 27) of 1998, and the Local Government: Municipal Structures Act (No 118) of 1998. Our emphasis is on:

- A thorough, inclusive and transparent process of municipal and ward boundary determinations and re-determinations, that is also fully compliant with all relevant legislation;
- Municipal capacity assessments and advice to the MECs for local government, in a manner that is objective, reliable and technically sound;
- Driving of the alignment of service delivery boundaries with municipal boundaries, to enhance the constitutional principles of co-operative government, the Constitutional provisions pertaining to service delivery, and the policies and legislation to give effect to the Constitution.
- Research and review of the Board's policy positions on core aspects of the Board's functions such as:
  - » Declaration and determination of more metropolitan municipalities;
  - » Future of the District Management Areas;
  - » Possible re-demarcation of non-viable municipalities.

### ***Challenges in 2005/06***

#### **a. Internal Control Systems**

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

The Auditor General considered our internal control systems as part of his 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. Even the best internal control system may provide only partial assurance.

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

The Board evaluated its internal control systems as at 31 March 2006 with specific regard to financial reporting and safeguarding of assets against unauthorised purchases or use. During the period under review, the internal control system found no material shortcomings which led to a material loss that should be reflected in the financial statements or the external report.

**b. Supply Chain Management**

During the year under review we did not comply fully with the requirements of Treasury Regulation 16A and supply chain management practice notes as issued by National Treasury, with the result that an amount in our expenditure for the year, was identified as irregular expenditure.

Treasury Regulation 16A6.1 of the PFMA, promulgated in Government Gazette Number 27388 on 15 March 2005 prescribes that National Treasury must determine threshold values for the procurement of goods and services by way of price quotations or through a competitive bidding process.

In the above regard Accounting Officers/Authorities are required to apply stipulated threshold values when procuring goods or services, hiring or letting anything, acquiring or granting any right or disposing of movable state property.

From the inception date of 10 May 2005 till 31 March 2006 the Board has complied with the stipulated threshold values except for the threshold values between R2,000 and R5,000 because:

- i) The Board's policy during the period under review, required that three quotations be obtained to procure goods or services with a value of R5,000 and above. The points system should be used where the procured goods or services are R30,000 and above.
- ii) Clearly, the Board's policy and procedures have not been in line with Treasury regulations and as a result we have contravened the Treasury Regulations with regard to the procurement of goods or services with a threshold value between R2,000 and R5,000 (VAT included).

Accordingly, section 38(1)(g) of the Public Finance Management Act (PFMA) prescribes that cases of irregular expenditure involving the procurement of goods and services must be reported to the relevant treasury.

The amount that has been classified as irregular expenditure in this regard is R66,002.55, which is 5.9% of the total procurement for the year.

In the above regard, we have moved substantially towards full compliance. Policy is being reviewed to bring the Board in line with all requirements, and to ensure that the Board's policy is fully in line with Treasury Regulations:

- Policy provides for the establishment, composition and functioning of bid specifications, evaluation and adjudication committees, the selection of adjudication committee members, bidding procedures, and the approval of bid evaluation and/or adjudication committee recommendations;
- A supply chain management system is in place such that procurement through a bidding process provides for the adjudication of bids through a bids adjudication committee;
- Bid documentation and general conditions of contracts are in accordance with the instructions of the National Treasury;
- Bid documentation includes evaluation and adjudication criteria, including the criteria prescribed in terms of the Preferential Procurement Policy Framework Act (Act 5 of 2000), and the Broad Based Black Economic Empowerment Act (Act 53 of 2003);
- Bids are duly advertised and awards are published;
- Conflict of interest is duly disclosed by all supply chain management officials, or officials with any form of interest in a bid, withdraw from participating in any manner whatsoever in the process relating to that contract;

- The national treasury database is duly checked prior to awarding contracts to ensure that prohibited companies or persons are not awarded contracts;
- There is due and written SARS clearance for all bids.

**c. Finance Lease**

Another irregular expenditure that has been identified arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred. This is synonymous with the definition of a finance lease as defined in the South African Statements of Generally Accepted Accounting Practice IAS 17 – Leases and Treasury Regulation 13.2.2. Finance leases need to be entered into through the Minister of Finance.

When the Board sought to acquire the use of an asset for an agreed period of time through the payment of a series of rentals, there was an inadvertent contravention of Treasury Regulation 13.2.2 and the Public Finance Management Act. As a result we submit that no individual can be held liable for the incurrence of the irregular expenditure in this regard. The amount involved in this transaction is R101,283.

**d. Fruitless and Wasteful Expenditure**

An expenditure of R4,848.44 was incurred as a result of the administration of traffic fines by the travel agent, traffic fines and access charges on hired cars. Section 1 of the PFMA defines such expenses as fruitless and wasteful expenditure. In terms of paragraph 9.1.3 of Treasury Regulations, an accounting officer must take into account the extent of the expenditure involved and nature and seriousness of the transgression when determining the appropriateness of disciplinary steps against an official that is involved. No disciplinary steps were taken against the official involved due to the amount and seriousness of the transgression being deemed as insignificant.

**e. Tender processes not followed in the appointment of consultants/ service providers**

During the period under review the appointment of some consultants was not in accordance with the provisions of Treasury Regulations. This happened because:

- The Board placed an advert in the press and called for service providers/consultants to make submissions. A database was then compiled, and consultants were chosen from the database, in consultation with the Board.
- Some of consultants/service providers appointed in this way were sole providers of the services for which they were sought, or they were preferred providers.

Therefore the Board's policies and procedures were clearly not fully aligned with the practice note issued by Treasury.

The total value of the contracts awarded amounted to R6,271,059 for 2005/2006 and R8,754,564 for 2004/2005.

**f. Internal Audit**

Our internal audit function has over the last few years been outsourced, and this outsourcing was informed by giving young and emerging professionals in this field, an opportunity to provide this service to the Board.

We however encountered some challenges during the year with our internal audit service providers, with the result that the Auditor-General could not rely on their work for audit, as the work did not comply fully with the standards set by the Institute of Internal Auditors as required by Treasury Regulation 3.2.6.

Our contract with the current internal auditor expires on 31 October 2006, and processes are already underway to ensure that we have an internal audit function that complies with the required standards.

**g. Information Systems**

Most of the weaknesses that were identified in our information systems have been rectified. However, we are still addressing the weakness of password control, and indications are that this weakness will have been overcome by 29 September 2006.

**h. SCOPA Resolutions**

A substantial amount of work has gone into addressing the latest SCOPA resolutions:

- i. Policies and procedures have been reviewed in the financial year. However there has been some shortcomings in ensuring compliance with the requirements of Treasury Regulation 16A;
- ii. There have been extensive engagements with National Treasury and Provincial and Local Government leadership and officials, as well as with the Portfolio Committee on Provincial and Local government, and the Select Committee on Local government and Administration, on the board's MTEF funding. However, the issue remains a challenge and we must still provide feedback to SCOPA in this regard;
- iii. Most of the weaknesses in the controls in the information systems environment at the Board, were addressed. However, challenges with respect to weaknesses with password controls, are still being addressed;
- iv. The frequency of budget discussions at management committee meetings were not fortnightly as per our initial undertaking to SCOPA in this regard. The frequency was however adequate for us to ensure that there is significant improvement in our management of the budget.

**i. MTEF Funding**

A challenge that we continue to face is our failure to secure adequate MTEF funding to allow us to deal adequately with our mandate. In this regard we have relied considerably on assistance from the Department of Provincial and Local Government (dplg), and on the generous funding from Danish governments.

Furthermore, we have been forced to implement severe cost cutting measures at the Board, which resulted in us compromising a number of very important projects during the year.

***Financial Highlights***

**a. An Unqualified Audit Report**

The Board has received an unqualified audit report from the Auditor-General, as reflected in Annexure B. The Board would like to thank the Auditor-General for its continued support and constructive inputs during the past financial year.

**b. Budget fully spent or committed**

Through strict budget control during the year under review, we made a surplus of R3,464,000. While we still had a cash balance at 31 March 2006, all of the remaining cash was fully committed before the end of the financial year, as outlined in our letter to national treasury in which we disclose this surplus.

***Future Direction: Strategic Plan 2006/07***

Towards the end of this report, we highlight our strategic approach to the new financial year and the medium term. We have opted to adopt the Balanced Scorecard approach, as a system that will guide us in the achievement of the Board's mandate. This approach has brought along a number of challenges that we must tackle.

It is our contention that the Balanced Scorecard approach that we have adopted for this Strategic Plan, will:

- Enable us to clarify our vision and strategy and translate them into action. It will provide feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.
- Enable the planning of the strategy and its dissemination to all levels of the Board;
- Facilitate the identification of initiatives necessary to the execution of the strategy;
- Facilitate the generation of the performance measures that will allow a quality driven information management of the organisation i.e. the Board.

We have developed and adopted a set of core values, which are crucial in achieving high performance levels and are based on Batho Pele Principles.

To achieve the mission and vision of the Board, we have for this Strategic Plan identified strategic themes to focus and guide the Board over the next five financial years. These Strategic Themes respond to the key areas that the Board should continue to excel at, and those areas where the Board needs to improve performance, and bring performance in such areas to expected levels, or even to exceed those expectations.

We have also identified a set of strategic objectives within each theme, informed by the SWOT Analysis, which will be pursued in the short, medium, and long term.

### ***A Tribute to all Board Staff Members***

I would like to express my sincere appreciation to all Cluster Heads, and to each and every staff member at the Board, for your support and co-operation. I value your commitment to the cause of the Board, and to fulfilling its Mandate successfully.

May I once again this year confirm my appreciation of your commitment to the cause of the Board, and to fulfilling its mandate successfully, and I would like to encourage you all to maintain that commitment.

**MR RAPULANA H MONARE**  
**MANAGER: MUNICIPAL DEMARCATION BOARD**

# MUNICIPAL DEMARCATION BOARD

## 2005/2006 – ANNUAL REPORT

### **MANDATE**

The Board's mandate derives from:

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

- The Board is mandated in terms of section 155(3)(b) to determine municipal Boundaries independently.

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

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

#### **Local Government: Municipal Structures Act, 1998 (Act 108 of 1998)**

- Delimit wards in compliance with Schedule 1 to 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 MEC's responsible for Local Government.
- Section 6 empowers the Board to declare District Management Areas.

#### **Cabinet resolutions**

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

### **VISION**

The Board's vision is a picture of our ultimate success. This is what the Board hopes to achieve in the future as it successfully implements its strategies in pursuit of its mandate. The Board's vision sets out the reasons for the existence of the Board – to fulfil its constitutional mandate - and the "ideal" state that we aim to achieve.

The Board's vision therefore remains:

**.....to contribute to Constitutional democracy through the spatial re-organisation of the whole territory of the Republic of South Africa, to make recommendations based on capacity assessments of the ability of municipalities to perform their powers and functions, and to give advice and support to enhance the development of a sound system of local government.**

### **MISSION**

The mission identifies major goals and performance objectives. Furthermore, it outlines how we do and why we do it.

In the above regard, the mission of the Board is **to perform its functions and exercise its powers in such a manner as to empower municipalities to:**

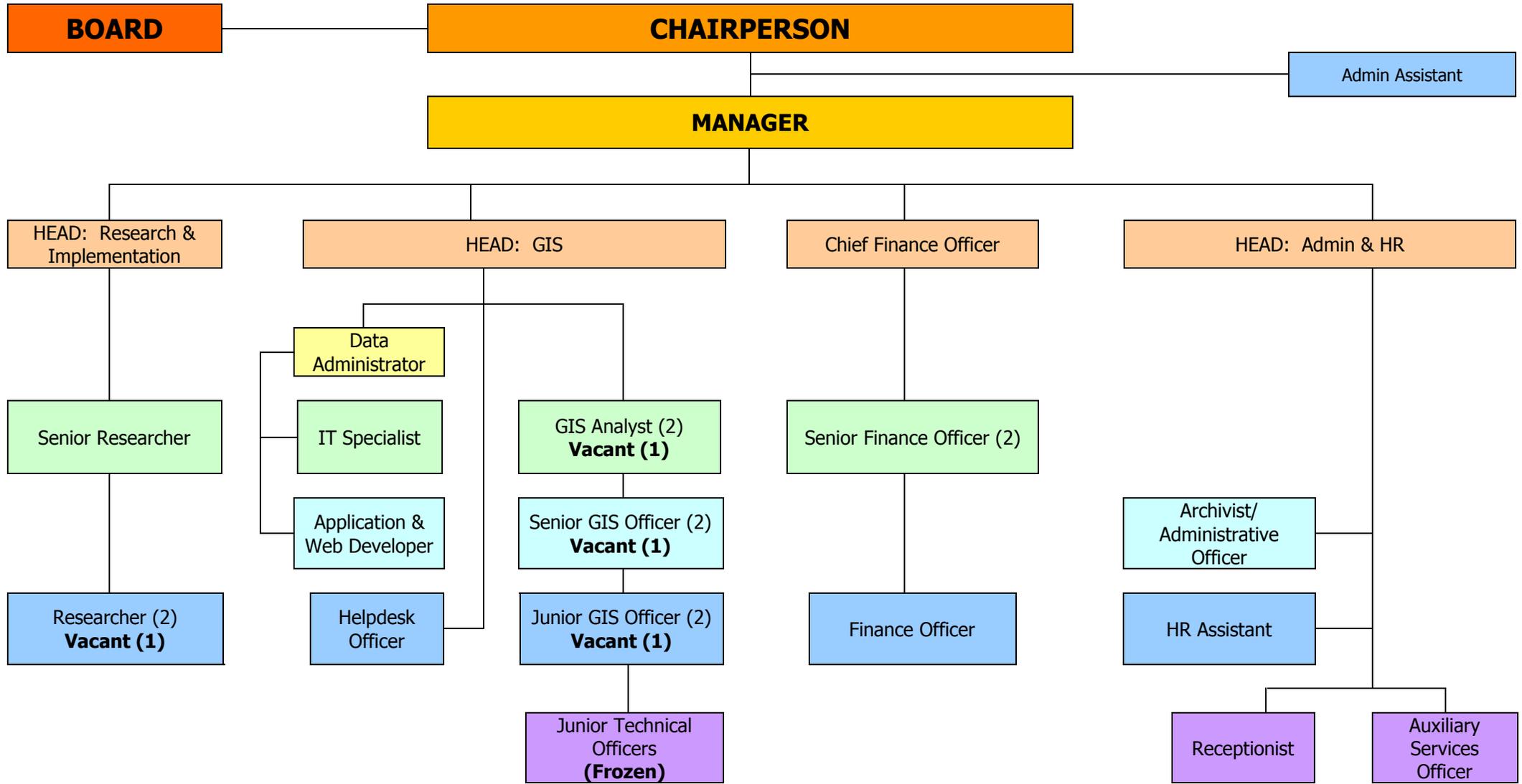
- **fulfil their constitutional obligations;**
- **provide democratic and accountable government for the local communities;**
- **provide services to communities in an equitable and sustainable manner;**
- **promote social and economic development;**
- **promote a safe and healthy environment;**
- **enhance effective local governance;**
- **plan and implement integrated development; and**
- **develop a tax base as inclusive as possible of users of municipal services in the municipality.**

## **VALUES**

While our mission and objectives define what we are trying to achieve, our values shape the way we go about achieving them, and reflect the beliefs which underpin them. Our core values are a key to achieving high performance levels and are based on Batho Pele Principles. We are striving to have an organisation at the Board that will foster the following ethos:

1. **Management Practices that:**
  - Promote and maintain high standards of professional ethics;
  - Create opportunities for organisational and individual growth, and harness diversity to advance organizational effectiveness.
  - Encourage and promote accountability, i.e. taking full responsibility of all our actions;
  
2. **Dedication to:**
  - Efficient, economic and effective use of all assets and resources;
  - Excellence in doing our work, and in providing service to all stakeholders;
  - Doing our work without fear, favour or prejudice;
  - Respect and Integrity in our relations with each other and with stakeholders.
  
3. **Behavioural Patterns and Practices that:**
  - Set good examples and precedents for subordinates and fellow employees to follow;
  - Encourage fellow employees and subordinates to perform their duties to the maximum of their ability and to deliver acceptable objectives to the organisation;
  - Ensure the safety of all staff and that they be aware of any potential hazards that could be harmful;
  - Encourage fellow employees and subordinates to act in a courteous, respectful manner at all times and to adhere to decent dress standards.
  - Maintain a positive corporate image, to behave in a positive manner and assist the public and stakeholders where possible.
  - Shun the deliberate misuse or damage by any employee or member of the Board, of Board property in his/her possession, care or custody, and the use of Board assets, intellectual property or the services of other employees for private use or gain.

**ORGANISATIONAL STRUCTURE AS AT 31 MARCH 2006**



	Level 2
	Level 3
	Level 4
	Level 5
	Level 6
	Level 7

# MUNICIPAL DEMARCATION BOARD

## 2005/2006 – ANNUAL REPORT

### *THE BOARD*



Membership of the Municipal Demarcation Board remains as follows:

Dr Vuyo Mlokoti	<ul style="list-style-type: none"><li>• Chairperson: MDB (Full-Time);</li><li>• Chair: Executive Committee;</li><li>• Member: All Board Committees</li></ul>
Ms Morongoa Letsoalo	<ul style="list-style-type: none"><li>• Deputy Chairperson: MDB;</li><li>• Member: Executive Committee;</li><li>• Chairperson: Corporate Services Committee</li></ul>
Dr Michael Sutcliffe	<ul style="list-style-type: none"><li>• Member: Executive Committee;</li><li>• Member: Powers and Functions Committee;</li><li>• Alternate Chairperson: Joint Boundaries/Powers and Functions Committee</li></ul>
Prof Nicolaas Steytler	<ul style="list-style-type: none"><li>• Member: Executive Committee;</li><li>• Member: Corporate Services Committee;</li><li>• Alternate Chairperson: Joint Boundaries/Powers and Functions Committee</li></ul>
Khosi Tshililo Ramovha	<ul style="list-style-type: none"><li>• Member: Corporate Services Committee;</li><li>• Member: Audit Committee;</li><li>• Member: Joint Boundaries/Powers and Functions Committee</li></ul>

Ms Modiehi Molebatsi	<ul style="list-style-type: none"> <li>• Member: Corporate Services Committee;</li> <li>• Member: Joint Boundaries/Powers and Functions Committee</li> </ul>
Mr Landiwe Mahlangu	<ul style="list-style-type: none"> <li>• Member: Audit Committee;</li> <li>• Member: Joint Boundaries/Powers and Functions Committee</li> </ul>
Ms Nondumiso Gwayi	<ul style="list-style-type: none"> <li>• Member: Audit Committee;</li> <li>• Member: Joint Boundaries/Powers and Functions Committee</li> </ul>
Mr Mpho Mogale	<ul style="list-style-type: none"> <li>• Member: Audit Committee;</li> <li>• Member: Joint Boundaries/Powers and Functions Committee</li> </ul>

This Board assumed office on 1 February 2004, and will remain in office until 31 January 2009.

The Chairperson of the Audit Committee is Mr Johan P Botha, an outside person, and a practising Accountant and Auditor.

### ***COMMITTEES OF THE BOARD***

- a. The Board may–
  - i) establish one or more committees to assist the Board in the performance of its function or the exercise of its powers; and
  - ii) may dissolve a committee at any time.
- b. The Board –
  - i) must determine the function of a committee;
  - ii) must appoint the members of a committee;
  - iii) must elect the Chairperson of the Committee;
  - iv) may authorise a committee to co-opt advisory members within limits determined by the Board;
  - v) may remove a member of a committee from office at any time; and
  - vi) may determine a committees procedure.
- c. When appointing members to a committee, the Board is not restricted to Board members.

All committees through which the Board operates derive their mandate from the Board. They are able to request whatever professional services are required for the performance of their mandate.

With the exception of the Management Committee, all the committees of the Board meet with the concurrence of the Chairperson of the Board.

Decisions taken at all committee meetings, including the management committee, must be recorded by way of formal minutes. All Board and Committee meetings will be recorded electronically.

The Municipal Demarcation Board has the following committees:

#### **i. The Management Committee**

The Management Committee is responsible for strategy implementation and managing the day to day affairs of the Municipal Demarcation Board and its Clusters in accordance with the policies, procedures and objectives approved by the Board.

The Management Committee comprises:

- The Manager: Municipal Demarcation Board (Chief Executive Officer);
- Chief Financial Officer
- Head: Administration and Human Resources
- Head: GIS and IT
- Head: Research and Investigation

- Database Administrator/IT Manager

The Manager: Municipal Demarcation Board convenes meetings of the Management Committee to:

- Review progress with all projects that are being undertaken by the administration, identify and resolve all problems and issues that may impede progress;
- Consider and decide on all day to day matters with regard to:
  - Implementation of Board resolutions;
  - Office Administration;
  - Employment and deployment of Resources;
  - Adherence to policies and procedures;
  - Improvements to the work environment;
  - Concerns of staff members on various issues;
  - Budget Management;
  - Procurement of goods and services;
  - Compliance to relevant legislation and regulations;
  - Logistics for various Board-related events and work.

ii. The Operating Risk Management Committee

The Operating Risk Management Committee is responsible for identifying possible risks that the Board may face and the implementation of ways to mitigate those risks.

The Operating Risk Management Committee comprises:

- The Manager: Municipal Demarcation Board (Chief Executive Officer);
- Chief Financial Officer (Risk Officer)
- Head: Administration and Human Resources
- Head: GIS and IT
- Head: Research and Investigation
- Database Administrator/IT Manager
- Internal Auditors (By Invitation)

iii. The Executive Committee

The Executive Committee oversees the strategic and operational activities of the Board, as implemented by management on a day to day basis.

The purpose of the Executive Committee is therefore to ensure that the Board functions efficiently and effectively, through a more regular interaction with the day to day activities of the Board, and making crucial and timeous decisions on behalf of the Board.

The Executive Committee comprises:

- The Chairperson: Municipal Demarcation Board;
- The Deputy Chairperson: Municipal Demarcation Board;
- Two other members of the Board;
- The Chairperson of the Audit Committee (Outside expert)
- The Manager: Municipal Demarcation Board (Ex-Officio)

The Chairperson: Municipal Demarcation Board or the Deputy Chairperson: Municipal Demarcation Board, as the case may be, convenes meetings of the Executive Committee.

The functions of the Executive Committee are to:

- Implement Board resolutions where functions of the Board have been delegated to EXCO and to the Chairperson.

- Oversee the administrative and financial arrangements of the Board, through interaction with the Manager.
- Do, with the concurrence of the Board, whatever is necessary to ensure effective and efficient implementation of the Demarcation Act, the Structures Act and other applicable legislation.
- Act as Selection Panel for all Senior Management Positions (Levels 1 & 2).

iv. The Corporate Services Committee

The Corporate Services committee oversees and reviews the overall operations and operational relations of the Board and its administration, and to make recommendations in this regard to the Board

The Committee evaluates the performance of all employees in its administration. It evaluates all senior management on its own, and works with the Manager to review the rest of the administration's performance.

The Corporate Services Committee comprises:

- Four members of the Board, with one as Committee Chairperson;
- The Manager: Municipal Demarcation Board (Ex-Officio).

The functions of the Corporate Services committee are to:

- sensitise the Manager about the importance of job descriptions
- ensure that every employee has a job description
- oversee and ensure that assessment methods are linked to job descriptions during assessment time
- act as a merit assessment committee and a moderating body to oversee assessment remarks
- oversee rank promotions of Board employees and be able to monitor objective implementation of that
- oversee the overall performance of the organisation
- periodically review the appropriateness of the organisational structure
- develop personal profiles of all employees of the Board
- ensure constant review of the conditions of service of employees and to monitor that management acts accordingly.
- monitor and review disciplinary actions taken in the organisation
- ensure that employees' service benefits conform to labour laws
- monitor the environment and capacity of the Board's organisation and to ensure that it is conducive for the Board to deliver desired outcomes
- oversee and make recommendations to the Board regarding the remuneration, allowances and other conditions of office of members of committees in terms of section 18 of the Demarcation Act.

v. The Audit Committee

The Audit Committee at the Board is responsible for improving management reporting by overseeing audit functions, internal controls and the financial reporting process. The Audit Committee has written terms of reference (the Audit Charter), which sufficiently describes its membership, authority and duties.

The Chairperson of the Audit Committee is an independent financial and audit expert who is not a member of the Board. The majority of the members of the Audit Committee at the Board are financially literate.

Duties of the Audit Committee at the Board include helping the Board and Management to comply with obligations under the Public Finance Management Act (PFMA) and providing a forum for communication between the Board Members, Senior

Management and the Internal and External Auditors of the Board to ensure, *inter alia*, the adequacy of the Board's internal controls.

The Audit Committee comprises:

- A Chairperson - an independent accounting and auditing expert who is not a member of the Board;
- Three members of the Board, most of whom are financially literate;
- The Manager: Municipal Demarcation Board (Ex-Officio);
- The Chief Financial Officer (Ex-Officio);
- Representative(s) of the Internal Auditors (by invitation);
- Representative(s) of the External Auditors (by invitation).

vi. The Joint Boundaries/Powers & Functions Committee

The Boundaries Committee oversees and monitors the overall work programme of the Board around municipal boundary categorisation and re-determination, as well as Municipal Powers and Functions.

The committee comprises:

- Four members of the Board, with one as Committee Chairperson;
- Invited representation from the Department of Provincial and Local Government (DPLG), the South African Local Government Association (SALGA) and provincial departments of local government.

# Chapter 1

## Operational Clusters at the Board

Original Total MTEF Allocation	R 14 552
Additional MTEF Allocations during the Year	R 9 100
Second MTEF allocations during the year	R1 307
Other Funding received during the Year (Donor Funding)	R 4 482
Other Income	R 266
Opening bank balance	R 1 417
<b>TOTAL</b>	<b>R 31 124</b>

### Aim

The aim of the Administration of the Board, comprising the four operational clusters, is to:

- provide the Board with the administrative, logistical and technical capacity to carry out its mandate;
- carry out the decisions of the Board;

### Key Objectives and Achievements

The following were identified as key objectives for the period under review:

1. Determine and re-determine municipal boundaries in accordance with relevant legal provisions, including assistance with the abolishment of cross-boundary municipalities
2. Delimit each municipality that qualifies to have wards, into wards.
3. Collect relevant information and to maintain and update data sets to render advisory services on the capacity of municipalities and the division of powers and functions between district and local municipalities.
4. Declare and withdraw declarations of district management areas.
5. Strengthen interaction with Key Stakeholders.
6. Strengthen the Board's Administrative and Financial functions.
7. Ensure, through a Capital Investment Strategy, proper capital spending during the year.
8. Improve in the management of Financial Assets and liabilities, through a Management Strategy for Financial Assets and Liabilities.
9. Use consultants at the Board to optimise financial resources.
10. Ensure that expenditure on consultants becomes progressively predictable and follows a logical pattern.
11. Use consultants to add value to the work of the Board and to grow a pool of professionals to provide service and advice.
12. Use consultants to empower the employees of the Board.
13. Provide employees of the Board with opportunities to gain working experience and expertise in a wide variety of work that the Board undertakes.
14. Support, within budgetary constraints and subject to certain conditions as outlined in policy, training and education of employees which will assist in developing current competence levels and create future capacity for sustained organisational performance.
15. Find ways, within budgetary constraints, in which the staff remuneration structure can be improved, in such a way that staff can feel that they are being fairly rewarded.
16. Improve awareness among staff on various developments and managerial issues.
17. Alignment of governments' service delivery boundaries with constitutional/municipal boundaries. Enhancement of service delivery, resource rationalization and development. Comprehensive database of well aligned administrative and functional boundaries, providing a source framework in referencing almost all other data in the country.

In the 2005/2006 financial year, significant progress has to date been made with regards to these objectives, even though challenges still remain. The Board's achievements to date are highlighted in this report, which looks at the four respective clusters that constitute its Administrative arm as follows:

**Cluster 1:** Administration and Human Resources Management

**Cluster 2:** Finance and Procurement Control

**Cluster 3:** GIS and IT Support

**Cluster 4:** Research and Investigation

## **Cluster 1**

### **Administration and Human Resources Management**

#### **Aim**

The aim of the Administration and Human Resources Cluster is to support the Board with high standards of efficient, effective and economical administrative operations to enable the Board to achieve its strategic objectives, and to support the Manager and Cluster Heads in developing competent and committed staff.

The Cluster provides administrative and logistical support to the Board and staff, in the following areas:-

- a. Administration and Internal Controls
- b. Human Resource Management
- c. Travel and Accommodation
- d. Board and Committee support
- e. Equipment Procurement and Maintenance
- f. Media Liaison
- g. Carry out any other function or activity that will enhance the administrative efficiency and effectiveness

#### **Cluster Developments**

**During the period under review, the following developments occurred in the Cluster:**

- A proper and transparent tender process was undertaken to select a GIS service provider.
- For the first time internal staff were used to delimit wards in four of the nine provinces. In this process skills transfers and training from consultant empowered staff to perform this task without further assistance, however a number of the trained staff resigned.
- During the year we experienced a high turnover of trained GIS staff. As a result, the transfer of skills to GIS and IT staff must be intensified and provision has been made in a new contract with the relevant consultant.
- Two staff members were sent to USA to attend the ESRI Conference, to enhance their GIS expertise and working experience. As part of capacity building and skill transfer staff members from GIS were sent on mentorship training to Board's consultants. Internal staff was capacitated to assist consultant with the collection of data for Capacity Assessment thus allowing them to gain experience in this field.

- Management meetings were held during the year. The Board and its committees met regularly during the year.
- A personnel development plan was commenced according to the budget and will be finalised in the new year.
- Emanating from the performance reviews training needs were identified and provided to 73% of staff in all clusters.
- Storage and accessibility of documents and information was reviewed on a regular basis. Electronic storage and accessibility of information remains very good. Electronic databases are regularly updated.
- Terms of reference were prepared and approved by the Board to carry out the Job Analysis. Three service providers submitted proposals and a provider were appointed. The results of the study were tabled at a Board meeting where it was referred back for further investigation.
- To improve internal communication an intranet was developed for daily communication.
- A number of awareness workshops with respect to developments on Policies & Procedures were held.

## **Cluster 2**

### **Finance and Procurement Control**

#### **Aim**

The aim of this Cluster is to provide overall Financial Management/Accounting and Procurement Control to the Board and staff, in the following areas:

- a. Budget Management
- b. Operational Accounting
- c. Payroll Management
- d. Financial Reports and Returns
- e. Procurement Control
- f. Assets Management

#### **Cluster Developments**

During the period under review, the following developments occurred in the Cluster:

- To improve the quality of reporting to the Board we appointed a Senior Financial Officer;
- To improve the accounting systems we purchased the following software:
  - » Pastel Evolution
  - » General Ledger Report writing
  - » Business Intelligence Centre, a report writing module.
- We reviewed the current status of the Board and decided to look for a system for satisfy our accounting and reporting needs.
- During the year we traded in the Boards vehicle and bought a new one.
- Due to problems experienced during the current year we purchased a new server to keep up with technology and to address the increased space demand.
- We reviewed the policies and procedures regarding the control and management of assets as well as procurement.
- To improve the Boards management of budget, we engaged all management in the process and we submitted quarterly reports to the Board.
- We also implemented a Risk Management Strategy and a Fraud Prevention Plan was approved by the Board.

- During the year we implemented a supplier database to improve compliance with Preferential Procurement Policy Framework Act.
- During the year a process was commenced to concretise the role of the Audit Committee as an overseer of financial management at the Board. However the role must still be refined and intensified further.

## **Cluster 3**

### **GIS and IT Support**

#### **Aim**

The GIS cluster broadly has the responsibility for overseeing the spatial and information technology (IT) needs of the Board and providing all mapping, data, information services, research and analysis in support of the Boards' mandate.

More specifically, the clusters' aims are the following:

- Providing analysis, information and mapping requirements in support of the Board's mandate to determine and re-determination of municipal boundaries in accordance with relevant legal provisions;
- Providing analysis, information and mapping requirements in support of the Board's mandate to delimit each municipality that qualifies to have wards, into wards;
- Providing advice, analysis, information and mapping requirements to departments on the alignment of functional/service delivery boundaries with municipal boundaries;
- Within its areas of competence, provide advice, information and analyses to stakeholders (i.e. administering the Helpdesk for the Board);
- Supporting the Manager of the Municipal Demarcation Board to build an effective and efficient administration to support the Board in the performance of its functions.

#### **Cluster Developments**

During the period under review, the following developments occurred in the Cluster:

- All wards were delimited and notices were gazetted in terms of Schedule 1 of the Local Government: Municipal Structures Act, 1998, for the 1 March 2006 local elections. The number of wards increased from 3754 in 2000 to 3895 for the forthcoming elections. Financial assistance from Government was inadequate for a project of this magnitude. Proposals have been submitted to the Minister to review legislation pertaining to ward delimitation so as to enhance stability, municipal service delivery and the development of local government. This project was carried out in close collaboration with the Research and Investigation Cluster.
- Though the re-determination of municipal boundaries was suspended in order to deal with ward boundaries, some boundaries of cross-boundary municipalities had to be re-determined in terms of the Local Government: Municipal Demarcation Act, 1998 to bring them in line with the boundary changes provided for in the Constitution Twelfth Amendment Act, and the Cross-Boundary Municipalities Laws Repeal and Related Matters Act, 2005. This project was carried out in close collaboration with the Research and Investigation Cluster.
- The process to align governments' service delivery boundaries with constitutional/municipal boundaries continued, to enhance service delivery, resource rationalization and development.

## **Cluster 4**

### **Research and Implementation**

#### **Aim**

The aim of the cluster is to support the Board in achieving its vision and mission and to fulfil its mandate to:

- Determine and re-determine municipal boundaries in accordance with relevant legislation;
- Delimit each municipality that qualifies to have wards, into wards;
- Manage the assessment of the capacity of municipalities to perform their powers and functions;
- Within the Board's areas of competence, provide advice, information and analyses to stakeholders;
- Support the Manager of the Municipal Demarcation Board to build an effective and efficient administration.

#### **Cluster Developments**

During the period under review, the following developments occurred in the Cluster:

- All wards were delimited and notices were gazetted in terms of Schedule 1 of the Local Government: Municipal Structures Act, 1998, for the 1 March 2006 local elections. The number of wards increased from 3754 in 2000 to 3895 for the forthcoming elections. Financial assistance from Government was inadequate for a project of this magnitude. Proposals have been submitted to the Minister to review legislation pertaining to ward delimitation so as to enhance stability, municipal service delivery and the development of local government. This project was carried out in close collaboration with the GIS and IT Cluster.
- Though the re-determination of municipal boundaries was suspended in order to deal with ward boundaries, some boundaries of cross boundary municipalities had to be re-determined in terms of the Local Government: Municipal Demarcation Act, 1998 to bring them in line with the boundary changes provided for in the Constitution Twelfth Amendment Act, and the Cross Boundary Municipalities Laws Repeal and Related Matters Act, 2005. This project was carried out in close collaboration with the GIS and IT Cluster.
- A process commenced to review the declaration of district management areas in terms of section 6 of the Local Government: Municipal Structures Act, 1998. The declaration of six DMAs was withdrawn, and the Kruger National Park was divided into two new DMAs.
- The capacity of all local and district municipalities were assessed in terms of the Local Government: Municipal Structures Act, 1998, and recommendations were made to MECs responsible for local government to adjust powers and functions between some district and local municipalities. However, funds for this project had to be moved to the ward delimitation project and the contract for the drafting of ten important capacity reports, had to be cancelled. The ongoing adjustment of powers and functions between district and local municipalities adversely affect stability, and proposals had been submitted to the Minister to review the relevant legislation.
- All internal activities, reporting and the management of the cluster in terms of training, performance assessments etc. were attended to with the necessary care and dedication, and outcomes were of a high quality and standard.

## Chapter 2

### Performance against pre-determined objectives

The following tables reflect the original objectives which were set by the Board for the 2005/2006 financial year, together with a report on the achievements reached to date against those objectives.

#### Cluster 1:

#### Administration and Human Resources Management

Key Strategic Objective	Indicator	Actual Performance
Strengthen interaction with Key Stakeholders	<ul style="list-style-type: none"> <li>Initiate steps to intensify the Board's interaction with SALGA and other key stakeholders.</li> </ul>	<p>A number of meetings were held with the Portfolio Committee on Provincial and Local Government and the Select Committee on Local Government and Administration. In these meetings several issues were identified which called for workshops to improve working relations between the Board and these structures. Such workshops must still be convened. One institution with which there has been a delay in developing a working relationship is SALGA. A letter proposing such an interaction was prepared and dispatched. It is expected that real interaction will happen in the new year.</p> <p>A local election technical committee comprising of officials of the MDB, IEC and DPLG was activated in 2003 and managed the ward delimitation process 2005/06.</p> <p>Consultation with other stakeholders such as provinces, SALGA and government departments continued through the Powers &amp; Functions Committee and the Boundaries Committee.</p> <ul style="list-style-type: none"> <li><b>We have largely been successfully with respect to achieving this objective.</b></li> <li><b>The relationship with SALGA was however not worked upon sufficiently, and it has as a result lacked behind.</b></li> </ul>
Strengthen the Board's Administrative and Financial functions	<p>Draft terms of reference for service providers and to evaluate:</p> <ul style="list-style-type: none"> <li>Each staff position at the Board and an appropriate</li> </ul>	<p>Terms of reference was prepared and approved by the Board to carry out the Job Analysis. Three service providers submitted proposals and a provider were appointed. The results</p>

	<p>market related remuneration for each position;</p> <ul style="list-style-type: none"> <li>– Each incumbent in a position at the Board, and the suitability of each incumbent’s salary, in view of qualifications, experience and performance.</li> </ul> <p>Ask for proposals from three service providers.</p> <p>Appoint a service provider.</p> <p>Review policies and procedures by adding further details and by having separate documents for each area.</p>	<p>of the study were tabled at a Board meeting where it was referred back for further investigation. The result of the further investigation is to be re-tabled at the Board.</p> <p>Policies and procedures were revised, by adding further details and by having separate documents for each area.</p> <p>To improve the quality of reporting to the Board we appointed an additional Senior Financial Officer. As a result of the appointment, The fixed asset register and the reporting have improved substantially.</p> <p><b>There was a substantial amount of progress with respect to this objective. A Job Analysis was produced by an outside consultant. However, a revised report has had to be produced internally.</b></p>
--	---	---

**Cluster 2:  
Finance and Procurement Control**

<b>Key Strategic Objective</b>	<b>Indicator</b>	<b>Actual Performance</b>
<p>Strengthen the Board’s Administrative and Financial functions</p>	<p>Finalise the review of the organizational structure with respect to the Finance Cluster.</p>	<p>Terms of reference were prepared and approved by the Board to carry out the Job Analysis. Three service providers submitted proposals and a provider were appointed. The results of the study were tabled at a Board meeting where it was referred back for further investigation. The result of the further investigation is to be re-tabled at the Board.</p> <p>Policies and procedures were revised, by adding further details and by having separate documents for each area.</p> <p>To improve the quality of reporting to the Board we appointed an additional Senior Financial Officer. As a result of the appointment, The fixed asset register and the reporting have improved substantially.</p> <p><b>There was a substantial amount of progress with respect to this</b></p>

		<b>objective. A Job Analysis was produced by an outside consultant. However, a revised report has had to be produced internally.</b>
Implement a Capital Investment Strategy to ensure that	<ul style="list-style-type: none"> <li>• Acquire the following fixed or movable assets: <ul style="list-style-type: none"> <li>- Motor Vehicle;</li> <li>- Computer Equipment;</li> <li>- Computer Software;</li> <li>- Office Equipment;</li> <li>- GIS Equipment;</li> <li>- Furniture and Fittings.</li> </ul> </li> </ul>	<p>During the current year to improve the accounting systems we purchased the following software:</p> <ul style="list-style-type: none"> <li>- Pastel Evolution</li> <li>- General Ledger Report writing</li> <li>- Business Intelligence Centre, a report writing module.</li> </ul> <p>During the current year we reviewed the current status of the Board and decided to look for a system to satisfy our accounting and reporting needs, and in that process we invited three suppliers of accounting software. As at December 2005, the process was still incomplete and we are awaiting approval from the Board.</p> <p>During the financial year we traded in the Board's vehicle and the old copier and replaced them. A number of notebooks were purchased in line with our strategy.</p> <p>During the current year we purchased a new server to keep up with technology and to address the increased space demand.</p> <p><b>We have been successful with respect to achieving this objective.</b></p>

### Cluster 3: GIS and IT Support

Key Strategic Objective	Indicator	Actual Performance
<p>Alignment of governments' service delivery boundaries with constitutional/municipal boundaries.</p> <p>Enhancement of service delivery, resource rationalization and development.</p> <p>Comprehensive database of well aligned administrative and functional boundaries, providing a source framework</p>	<ol style="list-style-type: none"> <li>1. Collection of data from all stakeholders.</li> <li>2. Defining SAPS and Justice boundaries.</li> <li>3. Consultation with stakeholders</li> <li>4. Consolidation of inputs</li> <li>5. Verification of proposed boundaries</li> <li>6. Proclamation</li> </ol>	<ul style="list-style-type: none"> <li>• The alignment of services boundaries was initiated in 2002 purely to realign SAPS and Department of Justice boundaries for their service delivery and allocation of resources project.</li> <li>• The program was subdivided to allow area commissioners and station commissioners to put forward proposal on how they would like to re-define their service areas.</li> <li>• Secondly a joint exercise</li> </ul>

<p>in referencing almost all other data in the country</p>		<p>between justice, SAPS and justice was initiated to start the drawing of proposed SAPS and justice areas. Several meeting were convened to facilitate inputs form various areas. The program was driven from the Justice office by Director Magatho, who gave specific instructions and direction on key areas.</p> <ul style="list-style-type: none"> <li>• Documents from Justice were circulated depicting proclaimed MD, Court boundaries for discussion. SAPS areas and location of new or proposed police station documents were also circulated for discussion.</li> <li>• A process of verification was also initiated, the KZN being the pilot area, several meeting were held to discuss the impact of certain decisions in terms of jurisdiction and eventual closure of some courts because of their ineffectiveness i.e. some courts had to have scheduled seating because there weren't enough cases to deal with. We are nearing the proclamation of KZN.</li> <li>• We are in the process of writing an application that would aid in the creation of maps for verification.</li> <li>• Maps were created and circulated to all stations and Courts in KZN, a good response was received as more inputs were received and considered in several technical sessions with areas representatives.</li> <li>• The MDB was faced with a huge task of drawing the proposed SAPS and justice boundaries both in terms of expertise in integrating inputs emanating from a variety of sources. Technical know-how was also lacking both in terms of execution and method.</li> <li>• The lack of imagery and updated cadastral information has been a factor thus some areas had to be verified by personnel from those areas before a boundary could be drawn, that was time consuming.</li> </ul>
--	--	---

		<ul style="list-style-type: none"> <li>• The change in the provincial boundary was also an issue because it would necessitate that SAPS and Justice will have to assess the impact on their plans.</li> <li>• The lack of response for some station areas was also a factor in not proclaiming SAPS and Justice boundaries. In addition very detailed consultation was done with the Surveyor General to avoid boundaries cutting cadastral boundaries.</li> </ul>
--	--	--

#### Cluster 4: Research & Investigations

Key Strategic Objective	Indicator	Actual Performance
Collect relevant information and to maintain and update data sets to render advisory services on capacity and the division of powers and functions.	<ul style="list-style-type: none"> <li>• Report to assess the implications of the Pollution related legislation on local government: <ul style="list-style-type: none"> <li>– identify all the pollution and related legislation passed in the last two years</li> <li>– assess the implications for local government</li> </ul> </li> </ul>	<p>As in the past this function has been outsourced. Normally Capacity Assessment commenced in June and ends in December which makes it inappropriate to appoint full time staff for Capacity Assessments.</p> <p>During this financial year various specialised reports were completed i.e.</p> <ul style="list-style-type: none"> <li>- report on pollution</li> <li>- Review of definitions of municipal functions, Municipal roads and transport and</li> <li>- The performance of district functions by local municipalities.</li> </ul>
	<ul style="list-style-type: none"> <li>• Conduct research on possible amendments to legislation <ul style="list-style-type: none"> <li>– Formulate changes to local government legislation</li> <li>– Convert MDB comments into a draft bill for consideration by DPLG</li> <li>– Workshop proposals for DPLG</li> </ul> </li> </ul>	<p>The later report revealed that though district functions had been adjusted to local municipalities were only performed by those local municipalities with jurisdiction in their own areas. It was found that local municipalities in general are performing those functions only within their own local areas of jurisdiction. The Board decided that for the 2005/06 assessment as many as possible of the adjustments to local municipalities should be recommended for reversal.</p>
	<ul style="list-style-type: none"> <li>• Assess the implications of the adjustment of MEC's district functions to local municipalities: <ul style="list-style-type: none"> <li>– Identify a random sample for local municipalities with adjusted district functions</li> <li>– Assess the performance of the municipality in relation to the rendering of the</li> </ul> </li> </ul>	<p>The Capacity Assessment process commenced in July with the training of field consultants in August all questionnaires were collected from Municipalities the necessary data</p>

	<p>district function</p> <ul style="list-style-type: none"> <li>- Draft report on the findings of the research</li> </ul>	<p>capturing and verification was completed in September and 47 District reports covering all 278 District and Local Municipalities were drafted in October and November. After consideration by the Board's Boundary Committee these reports together with a summary were sent to MEC's on 20 December 2005 for consideration.</p> <p>Due to a lack of funds as a result of the reallocation of funds to deal with the re-determination of cross boundary municipalities it was not possible to draft and fund the nine Provincial reports, the National report and the reports on proposed amendments to legislation affecting the MDB.</p> <p><b>We have once again carried out this mandate without fail. Throughout:</b></p> <ul style="list-style-type: none"> <li>• <b>The assessments have been done with the full participation of municipalities;</b></li> <li>• <b>Advise and support have been provided to MEC's for local government and other stakeholders, in dealing with the allocation and re-allocation of powers and functions between local and district municipalities;</b></li> <li>• <b>We have stayed with the adjusted timeframes to ensure that the results of the assessments can be released in time to feed into the IDP and budgeting processes of municipalities;</b></li> <li>• <b>The Board has engaged provincial departments of local government, as well as the national department for provincial and local government, in the process of identifying poorly performing municipalities, raising awareness about these municipalities to encourage government to take decisive steps to address the poor performance.</b></li> </ul>
<ul style="list-style-type: none"> <li>• Review and update Definitions, Norms and Standards Report: <ul style="list-style-type: none"> <li>- Review work completed in 2003</li> <li>- Identify changes in legislation affecting the definition of functions</li> <li>- Update report.</li> </ul> </li> </ul>		
<ul style="list-style-type: none"> <li>• Preparation for the 2005 Capacity Assessment: <ul style="list-style-type: none"> <li>- Review the questionnaire used in the 2003 and 2004 capacity assessment</li> <li>- Finalise the 2005 questionnaire for comment</li> <li>- Plan for the 2005 capacity assessment</li> <li>- Identify and appoint consultants</li> <li>- Consultant training for the field work</li> </ul> </li> </ul>		
<ul style="list-style-type: none"> <li>• Municipal Assessment Field Work 2005: <ul style="list-style-type: none"> <li>- All 278 municipalities visited and the questionnaire completed</li> <li>- Preparation of the 2005 data base and management thereof</li> </ul> </li> </ul>		
<ul style="list-style-type: none"> <li>• Preliminary Assessment of 2005 Capacity Results: <ul style="list-style-type: none"> <li>- Identify the data requirements for the preliminary assessment of the MDB 2002 and 2003 recommended adjustments</li> <li>- Preparation of the recommended adjustments for 2004 to be assessed during the drafting of the district reports</li> <li>- Drafting of the pro forma district report</li> </ul> </li> </ul>		
<ul style="list-style-type: none"> <li>• Drafting of the 47 district reports.</li> </ul>		

	<ul style="list-style-type: none"> <li>• A report per district which examines: <ul style="list-style-type: none"> <li>– Capacity shifts between 2002, 2003, 2004 and 2005</li> <li>– The extent to which services are being performed post 1 July 2003</li> <li>– Where functions are being performed within the municipal area</li> <li>– The budget, staffing and infrastructure levels per function per district</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>However, the drafting of nine provincial overview reports and one national overview report on the capacity of municipalities had to be suspended due to inadequate funding.</b></li> </ul>
	<ul style="list-style-type: none"> <li>• Editing and finalisation of district reports</li> </ul>	
	<ul style="list-style-type: none"> <li>• Drafting of annual overview of the MDB capacity Programme</li> <li>• Draft report for the Capacity Assessment Activities from 1 January 2005 to December 2005</li> </ul>	
	<ul style="list-style-type: none"> <li>• Drafting of National Local Government Capacity Report</li> <li>• A national report: <ul style="list-style-type: none"> <li>– Indicating the national shifts in municipal capacity</li> <li>– Provincial comparison</li> <li>– National trends in the performance of powers and functions</li> <li>– Assessment of the municipal boundaries in relation to the capacity</li> </ul> </li> </ul>	
	<ul style="list-style-type: none"> <li>• Update of the Viability Report, based on the data received in the August 2004 capacity assessment.</li> </ul>	

### Clusters 3 & 4 Joint Projects:

#### GIS and IT Support/ Research and Implementation

Key Objective	Strategic	Indicator	Actual Performance
Determine and re-determine municipal boundaries in accordance with relevant		Identify all urgent outstanding DEM's and Technical DEM's, and fast-	All changes to outer boundaries were discontinued on 20 February 2004 for the ward delimitation process. However

legal provisions.	track them before the next elections.	<p>as a result of Government's announcement in August 2005 to abolish Cross-Boundary Municipalities the re-determination process had to be reopened and the following changes were completed during the financial year.</p> <ul style="list-style-type: none"> <li>- Bohlabela District Municipality was disestablished and Maruleng Local Municipality together with the northern portion of the Kruger National Park District Management Area was added to Mopani District Municipality and Bushbuckridge Municipalities together with the Southern Part of Kruger National Park was added to Ehlanzeni District Municipality.</li> <li>- The whole of the Sekhukhune District Municipality was added to the Limpopo Province, a portion of Thembisile Local Municipality and Nkangala District Municipality was added to Kungwini Local Municipality and Metsweding District Municipality. Metsweding District Municipality was moved into Gauteng Province. Merafong Local Municipality was excluded from the municipal area of West Rand District Municipality and included into Southern District Municipality in North West</li> <li>- Umzimkhulu Local Municipality was included into Sisonke District Municipality in Kwa-Zulu Natal and Matatiele Local Municipality was included into Alfred Nzo District Municipality in the Eastern Cape. The boundaries between Umzimvubu Local Municipality and Matatiele Local Municipality were reconfigured within Alfred Nzo District Municipality. Kgalagadi District Municipality and Francis Baard District Municipality were included into the Northern Cape.</li> </ul> <p>These changes were effected through re-demarcations by the Board, the enactment of the Constitution 12<sup>th</sup> Amendment Bill and the Cross Boundary Laws Repeal and related matters Act.</p> <p>During the financial year the declaration of six District Management Areas were</p>
	Finalise re-determined boundaries of cross boundary municipalities: 1. Concurrences of provincial legislatures, and authorizations by national legislation.	
	Disestablish DMAs that can be disestablished without disrupting the electoral process – in consultation with the IEC.	
	Deal with urgent unavoidable re-determinations in cooperation with the IEC.	
	Analyse outstanding DEMs and Tech DEMS per Province/ DC, and prepare an action plan to finalise all outstanding DEMs by November 2008.	
	Map all outstanding DEM's and Tech DEM's (sec 26 and sec 21 maps)	
	Undertake research to come up with ways in which stability can be built with respect to municipal boundary adjustments.	

		<p>withdrawn and the District Management areas included into the following local municipalities.</p> <ul style="list-style-type: none"> <li>- DCDMA14 included into Gariep Local Municipality</li> <li>- DCDMA44 included into Matatiele Local Municipality</li> <li>- DCDMA31 included into Thembisile Local Municipality</li> <li>- DCDMA32 portions included in Thaba Chweu Local Municipality, Umjindi Local Municipality, Umkomaas Local Municipality.</li> <li>- DCDMA37 included into Moses Kotane Local Municipality.</li> <li>- CBDCDMA3 included into Greater Marble Hall Local Municipality.</li> </ul> <p>Despite the disruptive effect of the re-determination and abolishment of Cross Boundary municipalities, some time was set aside to identify all outstanding requests for re-determination and technical re-determinations and the necessary planning was done to finalise all of them well in advance of the 2011 Local elections so as to allow for a orderly process beginning with the finalisation of all outer boundaries by 2008. A review of all Voting Districts by 2009 (by the IEC) and the ward delimitation by 2010/2011.</p> <p>With regard to creating stability in Local Government proposals have been submitted to the Minister for a review of the existing legislation pertaining to ward delimitation. Planning has also been put in place to conduct a second round of boundary assessments to eliminate technical problems identified during the ward delimitation process and abolishment of Cross Boundary Municipalities.</p> <p><b>We have therefore been overwhelmingly successfully with respect to achieving this objective.</b></p> <p><b>In all cases:</b></p> <ul style="list-style-type: none"> <li>• <b>The legal processes and requirements have been fully complied with by the Board;</b></li> <li>• <b>The Board's communication with stakeholders and interested parties has been good;</b></li> </ul>
--	--	---

		<ul style="list-style-type: none"> <li>• <b>The Board has consistently engaged widely, to investigate particular demarcation cases, and to seek views and objections from stakeholders.</b></li> <li>• <b>Proposals have been submitted to the Minister pertaining to possible legislative amendments that would enhance spatial stability, municipal service delivery and development.</b></li> </ul>
Delimit each municipality that qualifies to have wards, into wards.	Consider objections/Prepare recommendations to the Board	<p>The ward delimitation process that commenced in 2004 was completed during the 2005/06 financial year. The process was divided into three phases.</p> <p>The first phase was set aside to do preparatory work such as the division of the national common voters roll into municipal segments, the publication of a formula for the determination of the number of councillors, the determination of number of councillors by MEC's, the determination of the number of ward to be delimited.</p> <p>The second phase was set aside to consult with municipalities and other stakeholders and the third phase was used to finalise all legal requirements.</p> <p>On 20 May 2005 all ward boundaries were handed to the IEC to commence with the electoral process, at that point in time 3 878 wards were delimited. As a result of the abolishment of Cross Boundary Municipalities the wards for Kungwini, Thembisile and Umzimvubu had to be re-determined. Matatiele Local Municipality which did not qualify to have wards, now qualified as the result of the changes of the boundaries between Umzimvubu and Matatiele Local Municipalities. Some other technical changes also had to be affected to the ward boundaries in Buffalo City, Nkonkobe, Ga-Segonyana, Kgetlengriver and Bitou Local Municipalities. The GIS teams of IEC and MDB also conducted an alignment process between voting district boundaries and ward boundaries which significantly increased the quality of the boundaries.</p> <p>All activities around the delimitation of</p>
	Board meeting to consider objections, and to confirm, vary or withdraw map set 4.	
	Review maps, if any changes have been approved by the MDB.	
	Board meeting: Final approval of map set 4 (if not finally approved on 14 April 2005)	
	Formal hand over of final boundaries to the IEC/boundary Committee members.	
	Publish final notices in Provincial Gazettes	
	Undertake research to come up with ways in which stability can be built with respect to ward boundary adjustments.	

		wards complied with the relevant legislation and all confirmations, variations and withdrawals were duly considered and approved by the Board before they were gazette in the relevant gazettes. The end result of the ward delimitation process was as follows:																																	
		<table border="1"> <thead> <tr> <th>Province</th> <th>Wards – 05/12/2000</th> <th>Wards – 01/03/2006</th> </tr> </thead> <tbody> <tr> <td>Limpopo</td> <td>474</td> <td>513</td> </tr> <tr> <td>Mpumalanga</td> <td>364</td> <td>365</td> </tr> <tr> <td>Gauteng</td> <td>420</td> <td>423</td> </tr> <tr> <td>North West</td> <td>353</td> <td>365</td> </tr> <tr> <td>KwaZulu- Natal</td> <td>765</td> <td>771</td> </tr> <tr> <td>Free State</td> <td>291</td> <td>300</td> </tr> <tr> <td>Eastern Cape</td> <td>584</td> <td>636</td> </tr> <tr> <td>Northern Cape</td> <td>173</td> <td>174</td> </tr> <tr> <td>Western Cape</td> <td>330</td> <td>348</td> </tr> <tr> <td>TOTAL:</td> <td>3 754</td> <td>3 895</td> </tr> </tbody> </table>	Province	Wards – 05/12/2000	Wards – 01/03/2006	Limpopo	474	513	Mpumalanga	364	365	Gauteng	420	423	North West	353	365	KwaZulu- Natal	765	771	Free State	291	300	Eastern Cape	584	636	Northern Cape	173	174	Western Cape	330	348	TOTAL:	3 754	3 895
Province	Wards – 05/12/2000	Wards – 01/03/2006																																	
Limpopo	474	513																																	
Mpumalanga	364	365																																	
Gauteng	420	423																																	
North West	353	365																																	
KwaZulu- Natal	765	771																																	
Free State	291	300																																	
Eastern Cape	584	636																																	
Northern Cape	173	174																																	
Western Cape	330	348																																	
TOTAL:	3 754	3 895																																	

## Chapter 3

### Summary of Financial Results

The original allocation of R14,552,000 was supplemented by a total of R9,100,000 during the year, and a further allocation of R1,307,000 bringing the total allocation to R24,959,000. In addition earnings to date, including the bank balance brought forward, amounted to R1,683,086. Other income (donor funding) amounted to R4,481,704 to bring the total receipts by the Board to R31,123,790.

**Table 1: Actual Expenditure per Cluster/Unit**

Cluster/Unit	Original Allocation	Adjusted Allocation	Actual Expenditure
R'000			
1. Administration & HR	4,190	3,986	3,635
2. Finance & Procurement Control	2,636	2,950	2,911
3. GIS & IT Support	10,960	11,063	6,525
4. Research & Implementation	7,424	8,923	6,199
5. Manager & Board	4,595	4,269	3,753
<b>TOTAL</b>	<b>29,805</b>	<b>31,191</b>	<b>23,023</b>

**Table 2: Actual Expenditure per Main Expenditure Item**

Expenditure Item		Original Allocation	Adjusted Allocation	Actual Expenditure	Balance to end March 2006
1. Advertisements & promotions	3010/000	110,000	110,000	71,359	38,641
2. Audit Fees	3020/000	658,350	973,350	609,918	363,432
3. Bank Charges - Main account	3200/000	15,000	15,000	12,767	2,233
4. Bank charges - Donor account	3205/000	0	0	529	-529
5. Board Members Remuneration Allowances and other expenses (including Chairperson)	3210/000 3230/000	2,568,574	2,468,574	1,500,452	968,122
6. Catering Expenses	3700/000	10,000	10,000	5,927	4,073
7. Cleaning Services (Board Offices)	3250/000	38,000	38,000	30,347	7,653
8. Conference & Seminar Expenses	3260/000	203,000	203,000	89,801	113,199
9. Computer Equipment @ Cost	6250/010	195,000	247,000	228,273	18,727
10. Computer	6260/010	335,500	338,000	95,919	242,081

Software @ Cost					
11. Computer Expenses-Data Acquisition	3310/000	150,000	150,000	109,440	40,560
12. Computer Expenses - Software Annual Subscriptions.	3315/000	298,000	264,000	226,906	37,094
13. Computer Expense - Hardware Maintenance	3320/000	60,000	42,000	10,574	31,426
14. Computer Expenses - Consumables	3330/000	200,000	200,000	53,560	146,440
15. Consulting Fees	3350/000	5,840,911	5,874,911	5,483,750	391,161
16. Courier Services	3400/000	160,000	110,000	99,234	10,766
17. Danish Funded Project	3360/000	4,478,536	4,478,536	6,088	4,472,448
18. Electricity & Water	3650/000	110,000	110,000	78,550	31,450
19. Finance Charges	3750/000	0	0	0	0
20. Furniture & Fittings @ Cost			50,000	7,459	42,541
21. General Expenses	3800/000	28,000	28,000	9,349	18,651
22. Insurance Premiums	3850/000	398,270	398,270	369,112	29,158
23. Interest Paid	3900/000	0	0	0	0
24. ISDN Line expenses-rental & other charge	3910/000	0	0	0	0
25. ISDN Line expenses-call charges	3920/000	0	0	0	0
26. Leasehold Expenses	3950/000	140,000	77,500	36,857	40,643
27. Legal Fees	4000/000	256,000	56,000	41,896	14,104
28. Motor Vehicle @ Cost	6200/410	120,000	120,000	150,936	-30,936
29. Motor Vehicle Expenses	4150/000 4160/000 4170/000 4190/000	6,000 2,500 250 8,000	6,000 2,500 250 8,000	0 1,992 144 8,432	6,000 508 106 -432
30. Notices & Publications	3050/000	200,500	190,500	209,909	-19,409
31. Office Equipment @ Cost	6300/010	70,000	45,000	16,055	28,945
32. Postage Services	4180/000				
33. Printing & Stationery	4200/000	150,000	150,000	113,943	36,057
34. Printing & Photocopying	4210/000	1,359,406	1,159,406	903,800	255,606

35. Rentals Paid	4300/000	14,400	14,400	14,305	95
36. Rentals Off-Site Storage Fees	4310/000	50,000	35,000	14,726	20,274
37. Repairs & Maintenance	4350/000	14,500	14,500	15,147	-647
38. Security services	3655/000	6,350,016	6,946,125	5,106,613	1,839,512
39. Subscription Newspaper & Magazines	4560/000	11,500	11,500	780	10,720
40. Subscription Other	4565/000	34,500	34,500	23,439	11,061
41. Subscription Prof	4570/000	42,500	42,500	25,033	17,467
42. Telephone & Fax	4600/000	300,000	300,000	251,917	48,083
43. Travel & Accommodation	4650/000	1,577,000	1,583,000	1,259,023	323,977
44. Stationery expenses	4500/000	111,317	113,317	113,072	245
45. Fruitless and wasteful expenses	3810/000	0	0	3,994	-3,994
46. Depreciation and amortisation	3450/000	0	0	513,350	-513,350

# Chapter 4

## Details of Financial Results

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2006.

#### i. Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least four times per annum as per its approved Charter. During the year under review five meetings were held.

<b>Name of Member</b>	<b>Number of meetings attended</b>
Mr Johan P Botha (Chairperson)	5
Ms Nondumiso Gwayi (Deputy Chairperson)	5
Mr Landiwe J Mahlangu	3
Khosi Tshililo J Ramovha	2
Mr Mpho Mogale	3
Mr Rapulana H Monare (Manager: MDB)	5
Mr Richard M Somanje (Chief Financial Officer)	5

#### ii. Audit Committee Responsibility

The Audit Committee is satisfied that, it has complied with its responsibilities as outlined in Section 38(1)(a) of the Public Finance Management Act (No 1 of 1999, as amended by No 29 of 1999) and Treasury Regulation 3.1.13. The affairs of the Committee were regulated in compliance with the Audit Committee Charter and the responsibilities contained therein have been discharged efficiently.

#### iii. The Effectiveness of Internal Controls and the Internal Audit Function

The Audit report on the Financial Statements, matters of emphasis and the management letter of the Auditor-General have reported material non-compliance as follows:

- The requirements of Treasury Regulation 16A and supply chain management practice notes as issued by National Treasury;
- The work of our Internal Auditors did not comply fully with the standards set by the Institute of Internal Auditors as required by Treasury Regulation 3.2.6, with the result that the Auditor-General could not rely on their work for audit;
- There are still weaknesses in our Information Systems with respect to password control.

The committee noted the various items, which the Office of the Auditor-General had listed as impacting on the internal controls. Management has acknowledged that these must be addressed as a matter of priority.

A structured risk assessment was conducted during the year, with all senior managers participating, and a risk profile for the Board was produced. An operating risk management committee is now operational, and continues to review and manage the risks on a regular basis.

iv. Evaluation of the Financial Statements

The Audit Committee has:

- Reviewed, suggested amendments where appropriate and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and the management's responses thereto; and
- Reviewed all audit adjustments recommended and effected.

The Audit Committee accepts the conclusion of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements can be accepted and read together with the report of the Auditor-General.

---

**MR JOHAN P BOTHA**  
**CHAIRPERSON: AUDIT COMMITTEE**

---

**DATE**

# Management Report

## 1. Income and Expenditure Trends 2001-2005

Income and Expenditure trends 2001 – 2005

The income and expenditure trends for the previous financial years are illustrated as follows:

Details	2000/1		2001/2		2002/3		2003/4		2004/5	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Income	30,928	100%	19,267	100%	19,158	100%	17,976	100%	26,694	100%
DPLG	29,215	94.5%	15,842	82.2%	11,670	60.9%	14,311	79.6%	22,523	84.4%
Donor	1,156	3.7%	3,110	16.1%	3,738	19.5%	3,165	17.6%	3,970	14.9%
Expenditure	33,335	100.0%	16,163	100.0%	20,465	100.0%	19,392	100.0%	28,638	100.0%
Board remuneration	1,982	5.9%	1,537	9.5%	1,919	9.4%	1,456	7.5%	2,327	8.1%
Salaries and wages	2,737	8.2%	2,966	18.4%	4,719	23.1%	5,186	26.7%	5,193	18.1%
Insurances	177	0.5%	199	1.2%	288	1.4%	308	1.6%	392	1.4%
Professional Fees	15,206	45.6%	4,557	28.2%	8,181	40.0%	5,942	30.6%	6,071	21.2%
Auditors' remuneration	100	0.3%	51	0.3%	93	0.5%	268	1.4%	477	1.7%
Donor expenses	0	0.0%	0	0.0%	0	0.0%	3,165	16.3%	3,970	13.9%
Travel and accommodation	2,204	6.6%	1,302	8.1%	1,846	9.0%	1,665	8.6%	1,893	6.6%
Telephone	388	1.2%	387	2.4%	240	1.2%	291	1.5%	302	1.1%
(Deficit)/ Surplus for the period	<u>-2,407</u>	-7.8%	<u>3,104</u>	16.1%	<u>-4,356</u>	-22.7%	<u>-1,416</u>	-7.9%	<u>-1,944</u>	-7.3%

The expenditure trend in the table above reflects the results for the past five years. The current year (2005/06) results are not included in this review.

On average the MTEF funding have comprised more than 80% of the total funding received by the Board from year to year, except during 2002/2003 financial year where MTEF funding comprised 70% of the total funding received by the Board.

Throughout the period, the Board has been overspending except during 2001/2002 where the Board made a surplus of R3,104,000. The deficit on a year to year basis is reducing and this is in line with our commitment to control and restrict the expenditure to the budget.

During the period under review, we have managed the budget very intensively, to ensure that we do not have a deficit again at the end of 2005/06.

The graph below illustrates the grants received against the total expenditure as well as the resulted surplus or deficit for the period from 2001 financial year to 2005 financial years.

## 2. Under-Expenditure

For the period under review, we effected savings amounting to R3,464,000, as a result of strict budgetary control and severe cost cutting measures, to avoid the recurrence of over expenditure that we experienced over the last few years.

Furthermore, we received an amount of R1,307,000 from the Department of Provincial and Local Government (dplg) at the end of 2005/06, following our claim for our work on the disestablishment of cross boundary municipalities. These funds could not be spent in the last financial year, and in this regard we have received approval from National Treasury to retain the funds for the 2006/07 financial year.

### **3. Services rendered by the Board**

The Board supplies to stakeholders maps showing municipal boundaries, as well as the SA explorer on a compact disc on a "cost to recover" basis. Prices for maps are available for various sizes. A number of stakeholders have been provided with maps or compact discs free of charge, at the discretion of the Manager: Municipal Demarcation Board.

### **4. Utilisation of Donor Funding**

#### **a. Funding by the Danish Government**

At the beginning of the period under review we had donor funding from Danish Government amounting to R4,401,536 in our bank account of which only R3,961,182 was available for usage. The remaining balance of R440,354 being accumulated interest earned is payable to the Donor at the end of the project on 31 August 2006. This is not new funding, but one that was given in 2002 to spend over a number of years in terms of an agreement with the donor, for the alignment of government service delivery boundaries, with municipal boundaries.

As at 31 March 2006, only R647,342 had been utilised from the donor fund for travel expenses, satellite imagery, boundary database and government services delivery. The amount of R3,313,840 is available for usage as at 31 March 2006. This low expenditure was as a result of the fact that the project was put on hold due to:

- The ward delimitation processes, which had to be dealt with without delay.
- Processes to phase out cross boundary municipalities, which was prioritised over other work.

During the year we requested an extension from the funder, to allow us until 31 August 2006 to spend the money. The funder has granted our request for extension. Interest amounting to R80,168 has accrued to the fund and the total income to date is R4,481,704.

In terms of Article 9 of the agreement between The Government of the Kingdom of Denmark and The Municipal Demarcation Board (MDB) on local services boundary alignment, any unspent part of the grant, including any interest accrued, must be repaid at the same time as the final audited accounts are submitted to the Embassy.

As at 31 March 2006 the accumulated interest earned and payable to the Donor in terms of the agreement was R520,522.

#### **b. Norwegian Government**

At the beginning of the current year, we had a balance of R2,945.00 due to Norwegian Government. In terms of the funding agreement with the funder, any

amount that is greater than R5 000.00 should be paid back to the Norwegian Government. Given that this amount is less than R5,000.00, the amount has been transferred from the Donor account to the Board's main account for our own use, after which we closed the bank account.

**5. Progress with addressing issues raised by the Auditor-General in his 2004/05 report**

a) Qualification

In his report to Parliament on the financial statements of the Municipal Demarcation Board for the year ended 31 March 2005, the Auditor General qualified his audit opinion as a result of the differences between the fixed assets register and the financial statements.

Property, plant and equipment were disclosed at a carrying value of R792,000 in the balance sheet. On the other hand, the carrying value per detailed fixed asset register of the Municipal Demarcation Board was R1,912,474. As a result the Auditor-General could not determine through reasonable alternative procedures what the correct value in the financial statements should be.

Since then, we have reconciled the asset registers register with the financial statements. During the reconciliation, the following issues were revealed:

- i) Not all assets capitalised were recorded on the assets register.
- ii) Assets stolen were not removed from the asset register.
- iii) Depreciation was overprovided due to error of estimates.

Management submitted a report to the Executive Committee of the Board (EXCO) with a recommendation that those assets which should not be in the assets register, be written off. EXCO accepted the recommendation, and the assets were written off. The fixed asset register and the carrying value per statement of financial position had a difference of R99,000 being the assets that was purchased and received on the 20 and 31 March 2006. The assets are now correctly recorded in our books of account. These assets were not included in the fixed asset register because the system would have calculated depreciation on these assets whilst the assets were not yet available for use. Depreciation of asset shall begin when it is available for use, i.e. when it is in the location and conditions necessary for it to be capable of operating in the manner intended by management. 80% of the assets were subsequently taken to operation in the 2007 financial period.

b) Emphasis of Matter

Without further qualifying his audit opinion, the Auditor-General in his report drew attention to the going concern issue with respect to the Board, where he noted that:

"...the Board incurred a deficit of R1, 944,000 for the 2004/2005 financial year, R1, 416,000 for the 2003/2004 financial year and R4, 356,000 for the 2002/2003 financial year. The current liabilities of the Municipal Demarcation Board exceed the current assets by R2, 692,000. The MDB might have difficulty to continue as a going concern. Management expressed the view at that stage that the MDB will be able to continue as a going concern."

The deficit was purely as a result of the under-funding of the Board, a problem that we had raised with all relevant authorities throughout. We went further during the year under review, to implement a programme to limit our

expenditure strictly to the budget, even if it meant that we could not fully or satisfactorily fulfil our mandate.

As at 31 March 2006 we had made a surplus of R3,464,000, which included the additional MTEF allocation amounting to R1,307,000 received on 28 March 2006.

**6. Trading entities/public entities**

There are no trading entities and public entities under the control of the Board.

**7. Other organisations to whom transfer payments have been made**

None.

**8. Public/private partnerships**

The Board has not entered into any such agreements.

**9. Corporate governance arrangements**

A structured risk assessment was conducted during the year, with all senior managers participating, and a risk profile for the Board was produced. An operating risk management committee is now operational, and continues to review and manage the risks on a regular basis.

Furthermore, the Board has conducted a formal review of corporate governance arrangements, to determine the extent to which we comply with requirements in this regard. The review has indicated that our arrangements comply to a large extent. Where we do not comply, steps have been initiated to rectify the situation.

**10. Discontinued Activities/Activities to be discontinued**

None.

**11. New/proposed new activities**

The following new activities are envisaged:

- A review of the legal requirement to re-delimit ward boundaries every five years, and presentation of proposals for legislative amendments;
- An examination of using the IEC's voting districts as building blocks for wards;

**12. Events after the reporting date**

None.

**13. Going Concern**

The Board has reviewed the financial statements during the period under review and concluded that the Board will continue in operation for the foreseeable future.

**14. Progress with financial management improvement**

There are financial delegations, in accordance with the PFMA and the Treasury Regulations, and all activities were assigned to account for all budgeted funds.

**15. Performance information**

The implementation of the PFMA was monitored during the period under review to ensure compliance. The performance against pre-determined objectives is set out in pages ?? to ??.

**Approval**

The annual financial statements as set out on pages ?? to ?? have been approved by the Accounting Officer.

**MR RAPULANA H MONARE  
ACCOUNTING OFFICER**

# **Index to the Financial Statements For the year ended 31 March 2006**

	<b>Page</b>
Report of the Auditor-General	
Income Statement (Statement of Financial Performance)	
Balance Sheet (Statement of Financial Position)	
Statement of Change in net Assets	
Cash Flow Statement	
Notes to the Annual Financial Statements	

# Report of the Auditor-General

## REPORT OF THE AUDITOR GENERAL TO PARLIAMENT, ON THE FINANCIAL STATEMENTS OF THE MUNICIPAL DEMARCATION BOARD FOR THE YEAR ENDED 31 MARCH 2006

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages ?? to ??, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004) (PAA) and section 38 of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 554 of 2006, issued in Government Gazette no 28723 of 10 April 2006 and General Notice 808 of 2006, issue in Government Gazette no 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

### 3. BASIS OF ACCOUNTING

The entity is required to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

### 4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Demarcation Board (MDB) at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in paragraph 3, and in the manner required by the Public Finance and Management Act, 1999 (Act No 1 of 1999) (PFMA).

### 5. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

#### 5.1 Irregular expenditure

The MDB's procurement policy was not in accordance with the requirements of Treasury Regulation 16A and supply chain management practice notes issued by

the National Treasury. As a result irregular expenditure was incurred during the current and previous financial year. Refer to note 29 of the financial statements.

Furthermore irregular expenditure was incurred due to the MDB entering into a finance lease transaction, which is in contravention of Treasury regulation 13.2. Refer to note 29 of the financial statements.

## 5.2 Internal Audit

The internal audit function did not comply with all the standards set by the Institute of Internal Auditors as required by Treasury Regulation 3.2.6.

## 5.3 Information systems

An information systems audit of limited scope was conducted on the logical security at the MDB. Password control was the most significant weakness identified that could compromise data integrity.

## 6. APPRECIATION

The assistance rendered by the staff of the Municipal Demarcation Board during the audit is sincerely appreciated.

**FJ Joubert *for* Auditor-General**

Pretoria  
28 July 2006



A U D I T O R - G E N E R A L

1. Income Statement (Statement of Financial Performance – 31 March 2006)

<b>THE MUNICIPAL DEMARCATION BOARD</b> <b>STATEMENT OF FINANCIAL PERFORMANCE</b> <b>FOR THE YEAR ENDED 31 MARCH 2006</b>
--

	Notes	31/03/2006 R'000	31/03/2005 R'000
<b>REVENUE</b>			
Sale of goods	<u>2</u>	67	51
Transfers and subsidies received	<u>3</u>	24,959	22,523
Local and foreign aid assistance received	<u>4</u>	650	3,970
Surplus on disposal of assets	<u>5</u>	130	6
Gains on non-current assets		0	190
Other income	<u>6</u>	67	144
<b>TOTAL REVENUE</b>		25,873	26,884
Administrative expenses	<u>7</u>	(5,786)	(9,362)
Staff costs	<u>8</u>	(7,840)	(7,520)
Audit Fees	<u>9</u>	(578)	(477)
Project expenses	<u>10</u>	(6,143)	(6,072)
Local and foreign aid assistance paid	<u>11</u>	(647)	(3,903)
Other operating expenses	<u>12</u>	(702)	(933)
Depreciation and Amortisation	<u>13</u>	(682)	(500)
Finance costs		(30)	0
<b>TOTAL EXPENDITURE</b>		(22,408)	(28,767)
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		3,465	(1,883)

2. Balance Sheet (Statement of Financial Position – 31 March 2006)

<b>THE MUNICIPAL DEMARCATION BOARD</b> <b>STATEMENT OF FINANCIAL POSITION</b> <b>AS AT 31 MARCH 2006</b>
--

	Notes	31/03/2006 R'000	31/03/2005 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<a href="#">14</a>	1,412	970
Intangible assets	<a href="#">15</a>	24	37
		1,436	1,007
<b>Current assets</b>			
Receivables	<a href="#">16</a>	0	16
Prepayments and advances	<a href="#">17</a>	105	79
Cash and cash equivalents	<a href="#">18</a>	8,352	5,891
		8,457	5,986
<b>TOTAL ASSETS</b>		9,893	6,993
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Finance lease obligations: non-current	<a href="#">19</a>	183	0
<b>Current liabilities</b>			
Payables	<a href="#">20</a>	3,672	3,964
Provisions	<a href="#">21</a>	500	466
Deferred income	<a href="#">22</a>	3,834	4,402
Finance lease obligations: current		78	0
<b>TOTAL LIABILITIES</b>		8,267	8,832
<b>Net assets</b>		1,626	(1,839)
<b>NET ASSETS</b>			
<b>Accumulated Surplus (Deficit)</b>	<a href="#">23</a>	1,626	(1,839)
<b>Total net assets</b>		1,626	(1,839)

3. Statement of Changes in Net Assets

**THE MUNICIPAL DEMARCATION BOARD  
STATEMENT OF CHANGES NET ASSETS  
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	31/03/2006 R'000	31/03/2005 R'000
<b>Accumulated surplus/(deficit)</b>	<a href="#">23</a>		
Balance at 1 April as originally stated		0	153
Correction of Prior Year error		0	(109)
As restated		(1,839)	44
Surplus/(deficit) for the period as originally stated		0	(1,944)
Correction of error		0	61
Surplus/(deficit) for the period (restated)		0	(1,883)
Surplus/(deficit) for the period		3,465	0
Balance at 31 March		1,626	(1,839)

4. Cash Flow Statement

<b>THE MUNICIPAL DEMARCATION BOARD</b> <b>CASH FLOW STATEMENT</b> <b>FOR THE YEAR ENDED 31 MARCH 2006</b>
---

	Notes	31/03/2006 R'000	31/03/2005 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash Receipts from customers		25,037	22,614
Cash paid to suppliers and employees		(21,882)	(20,880)
<b>Net cash from operating activities</b>	<a href="#">24</a>	3,155	1,734
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		145	23
Acquisition of property, plant and equipment		(697)	(379)
Acquisition of intangible assets		(96)	(59)
Interest received		56	104
<b>Net cash flows from investing activities</b>		(592)	(311)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayments of borrowings		-72	0
Repayments of finance lease obligations		-30	0
<b>Net cash flows from financing activities</b>		-102	0
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,461	1,423
Cash and cash equivalents at the beginning of the year	<a href="#">18</a>	5,891	4,468
<b>Cash and cash equivalents at end of the year</b>		8,352	5,891

1. Accounting Policies

a) Reporting entity

These financial statements are for Municipal Demarcation Board. The financial statements encompass the reporting as specified in the relevant legislation (Public Finance Management Act, Act No.1 of 1999 as amended).

b) Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentations of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or results in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1,2, & 3 has resulted in the following significant changes in the presentation of the financial statements:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Reporting date	Balance sheet date

The cash flow statement can only be prepared in accordance with the direct method.

Paragraph 11 – 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

The financial statements have been prepared on a going concern basis. The following are the principle accounting policies of the Board, which are in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

c) Currency

These financial statements are presented in South African Rand since that is the currency in which the majority of the Board's transactions are denominated.

d) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Board and these benefits can be measured reliably.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

e) Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

The PFMA

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

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

f) Prior year errors

The Board 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.

g) Property, plant and equipment

Land and buildings

Property, plant and equipment are stated in the statement of financial position at their costs less any subsequent accumulated depreciation and impairment losses.

Depreciation is charge to write off the cost of assets, over their estimated useful lives, using the straight-line method. The useful lives and depreciation rates of property, plant and equipment are reassessed on an annual basis. The following useful lives are applied:

Plant and equipment	20.0%
Vehicles	20.0%
Computer Equipment	33.3%
Furniture and Fittings	10.0%

The residual value represents the best estimates of the current recoverable amount of the asset at the end of its useful life.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in surplus or deficit for the period.

h) Intangible assets

Computer software is stated at amortised cost and is amortised on a straight-line method over the estimated useful life at 100% per annum.

i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Board as a lessee

Assets held under finance leases are recognised as assets of the Board at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to surplus or deficit for the period.

Rentals payable under operating leases are charged to surplus or deficit for the period on a straight-line basis over the term of the relevant lease.

Post-employment benefits

The Board does not provide post-employment benefits to its employees.

j) Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Board's statement of financial position when the Board becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The Board's principle financial assets are receivable and cash and cash equivalents.

The financial assets are subject to review for impairment at each reporting date.

Financial liabilities

The Board's principle financial liabilities are payables.

Payables

Payables are stated at their nominal value.

In the course of the Board's business operations it is exposed to credit risk.

Credit risk

Financial assets, which potentially subject the Board to the risk of non-performance by counter-parties and thereby subject the Board to concentrations

of credit risk, consist mainly of cash and cash equivalents and trade receivables. Credit risk with respect to trade receivables is limited due to the small number of customers comprising the Board's customer base. The Board does not have any significant exposure to any individual customer or counter-party. Receivables are presented at fair value.

#### Fair values

The Board's financial instruments consist mainly of cash and cash equivalents, receivables, and payables.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

#### Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

#### Receivables

The carrying amount of trade receivables, net of provision for bad debt, approximates fair value due to the relatively short-term maturity of this financial asset.

#### k) Provisions

Provisions are recognised when the Board has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditure expected to be required to settle the obligation.

#### l) Impairment on asset

At each reporting date, the Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit for the period.

Where an impairment loss subsequently reverses, the carrying amount of an asset is increase to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit for the period.

#### m) Government grants

- i. Government grants relating to foreign donor funding are recognised at their fair value when it is probable that future economic benefits will flow to the Board and these benefits can be measured reliably. When the grants relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grants are unspent during the period under review, the fair value is credited to a deferred income and is released to the income statement when the expenditure has been incurred.
  - ii. A government grant that becomes receivable for the purpose of giving immediate financial support to the Board with no future related costs shall be recognised as income of the period in which it become receivable.
- n) Comparative figures

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

5. Notes to the Annual Financial Statements

	31/03/2006 R'000	31/03/2005 R'000
An analysis of the Board's revenue is as follows:		
<b>2 Revenue</b>		
Sales of goods		
Extra Budgetary Institutions	67	51
Total	67	51
<b>3 Transfers and subsidies received</b>		
National Department – DPLG	24,959	22,523
Total	24,959	22,523
<b>4 Local and foreign aid assistance</b>		
Local and foreign aid assistance received	650	3,970
Local and foreign aid assistance receivable	-	-
<b>5 Surplus on disposal of assets</b>		
Gains on sale of property, plant and equipments	130	6
Gains on non-current assets	0	190
Total	130	196
<b>6 Other income</b>		
Sundry income	11	40
Interest received	56	104
Total	67	144
<b>7 Administrative expenses</b>		
General and administrative expenses	3,241	6,301
Travel and subsistence	1,423	1,893
Rentals in respect of operating leases (minimum lease payments)	1,122	1,168
- Buildings	930	852
- Plant, machinery and equipment	192	316
Total	5,786	9,362
<b>8 Staff costs</b>		
<b>Members' emoluments</b>	2,745	2,608
Wages and salaries	4,949	4,716
Basic salaries	3,279	2,964
Other non-pensionable allowance	1,381	1,221
Temporary staff	96	453
Leave payments	112	78
Overtime pay	81	0
Social contributions (Employer's contributions)	146	196
UIF	27	13
Other salary related costs	119	183
Total	7,840	7,520

	31/03/2006 R'000	31/03/2005 R'000
<b>9 Audit Fees</b>		
Statutory audit	578	400
Other services		
- SCOPA hearing	-	77
Total	578	477
<b>10 Project expense</b>		
Capacity assessment	3,244	211
Ward delimitation	1,431	2,033
Consulting fees	1,468	3,828
Total	6,143	6,072
<b>11 Local and foreign aid</b>		
Local and foreign aid assistance paid	647	3,970
Non Current - Local and foreign aid assistance payable	-	-
Current - Local and foreign aid assistance payable	-	-
Total	647	3,970
<b>12 Other operating expenses</b>		
Staff training and development	191	72
Legal fees	72	205
Maintenance, repairs and running costs	18	21
- Property and buildings	18	21
Fruitless and wasteful expenditure	5	0
Other	416	635
Total	702	933
<b>13 Depreciation and Amortisation</b>		
- Intangible assets	109	165
- Plant, machinery and equipment	183	122
- Vehicles	3	7
- Computer equipment and peripherals	330	151
- Office furniture and fittings	57	55
Total	682	500
<b>14 Property, plant and equipment</b>		
<b>Office equipment: Owned Assets</b>		
Adjusted net carrying amount	0	258
Opening net carrying amount	216	186
Gross carrying amount	662	510
Accumulated depreciation	-446	-324
Adjustments to gross carrying amount	0	72
Additions	209	80
Disposals	-2	
Depreciation charge	-100	-122
<b>Net carrying amount 31 March</b>	323	216
Gross carrying amount	857	662
Accumulated depreciation	-534	-446

	31/03/2006 R'000	31/03/2005 R'000
<b>Office equipment: Capitalised finance lease</b>		
Cost	334	0
Accumulated Depreciation	-83	0
	251	0
Gross carrying amount	334	0
Accumulated Depreciation	-83	0
<b>Motor vehicle</b>		
Opening net carrying amount	0	7
Gross carrying amount	55	55
Accumulated depreciation	-55	-48
Accumulated impairment losses		
Additions	151	-
Depreciation charge	-3	-7
<b>Net carrying amount 31 March</b>	148	-
Gross carrying amount	151	55
Accumulated depreciation	-3	-55
<b>Computer equipment and peripherals</b>		
Adjusted net carrying amount	0	382
Opening net carrying amount	448	258
Gross carrying amount	2,212	1,871
Accumulated depreciation	-1,764	-1,613
Adjustments to gross carrying amount	0	124
Additions	329	234
Disposals	-13	-17
Depreciation charge	-330	-151
<b>Net carrying amount 31 March</b>	434	448
Gross carrying amount	1,942	2,212
Accumulated depreciation	-1,508	-1,764
<b>Office furniture and fittings</b>		
Adjusted net carrying amount	0	296
Opening net carrying amount	306	303
Gross carrying amount	569	511
Accumulated depreciation	-263	-208
Adjustments to gross carrying amount		-7
Additions	7	65
Depreciation charge	-57	-55
<b>Net carrying amount 31 March</b>	256	306
Gross carrying amount	576	569
Accumulated depreciation	-320	-263
<b>Total Property, plant and equipment</b>		
Adjusted opening net carrying amount	0	943
Opening net carrying amount	970	754
Gross carrying amount	3,498	2,947
Accumulated depreciation	-2,528	-2,193
Adjustments to gross carrying amount		189
Additions	1030	379

	31/03/2006 R'000	31/03/2005 R'000
Disposals	-15	-17
Depreciation charge	-573	-335
<b>Net carrying amount 31 March</b>	<b>1,412</b>	<b>970</b>
Gross carrying amount	3,860	3,498
Accumulated depreciation	-2,448	-2,528

#### Depreciation Charge

13

Office equipment	-183	-122
Vehicles	-3	-7
Computer equipment and peripherals	-330	-151
Office furniture and fittings	-57	-55
<b>Total</b>	<b>-573</b>	<b>-335</b>

#### 15 Intangible Assets

##### Computer software

Opening net carrying amount	37	143
Gross carrying amount	814	755
Accumulated amortization	-777	-612
Accumulated impairment losses		
Additions	96	59
Amortisation	-109	-165
<b>Net carrying amount 31 March</b>	<b>24</b>	<b>37</b>
Gross carrying amount	235	814
Accumulated amortization	-211	-777

#### 16 Receivables

Receivables	0	16
Amount due by employees	101	101
Provision for irregular expenses	(101)	(101)
<b>Balance at 31 March</b>	<b>0</b>	<b>16</b>

#### Irregular expenses

##### Fraud and gross misconduct by former employees

In 2002 financial period, it was discovered that the former employee of the Board, Ms N Ndlovu has defrauded the Board to an amount of R132,703. Action by the Manager resulted in the recovery of R35,200 from a recipient of some of the funds. In addition, an amount of R3, 895 was stolen from petty cash in the 2002 financial period. The Board is of the opinion that the recovery of the total amount of R101,398 is uncertain and has therefore provided against it in the current year.

A criminal case of fraud and theft was opened with the SAPS (Brooklyn case number 598/08/2001). At the same time, a disciplinary action was taken against Ms Anna Ngala and her alleged accomplices, on 30 August 2001. She was ultimately dismissed on the 5<sup>th</sup> December 2001. Ms Ngala exercised her rights and referred the matter to the CCMA a date for conciliation is still pending.

#### 17 Prepayments and Advances

Prepayments	76	63
Deposits	15	15
Advance	14	1
<b>Balance at 31 March</b>	<b>105</b>	<b>79</b>

	31/03/2006 R'000	31/03/2005 R'000
<b>18 Cash and cash equivalents</b>		
Cash at bank	4,347	1,418
Cash on hand	1	0
Administered funds	4,004	4,473
	<u>8,352</u>	<u>5,891</u>
For the purposes of the cash flow statement: Cash and cash equivalents at the beginning of the year	<u>5,891</u>	<u>4,468</u>
<b>19 Non Current Liabilities</b>		
Long term liability	261	0
Short term portion	-78	0
<b>Balance at 31 March</b>	<u>183</u>	<u>0</u>
<b>20 Payables</b>		
Payables	981	2,160
Accruals	2,691	1,804
<b>Balance at 31 March</b>	<u>3,672</u>	<u>3,964</u>
<b>21 Provisions</b>		
<b>Salary and related expense provision</b>		
Opening balance	316	177
Utilisation of provisions during the year	-113	-92
Unused amounts reversed during the year	-203	-85
Provisions made during the year	500	316
Less: current portion of provisions		
<b>Sub Total</b>	<u>500</u>	<u>316</u>
<b>Nature of the provision</b>		
This provision results from leave days due to employees as at 31/03/2006 and the outflow of the amount will be within the next 12 months after reporting date.		
<b>Settlement to former employee</b>		
Opening balance	150	0
Utilisation of provisions during the year	-150	0
Provisions made during the year	0	150
<b>Sub Total</b>	<u>0</u>	<u>150</u>
<b>Nature of the provision</b>		
This provision was settled during the current period in terms of the agreement, the Board settled legal costs and compensation to former employee		
<b>Total Provisions</b>		
Opening balance	466	177
Utilisation of provisions during the year	-263	-92
Unused amounts reversed during the year	-203	-85
Provisions made during the year	500	466
<b>Closing balance</b>	<u>500</u>	<u>466</u>

	31/03/2006 R'000	31/03/2005 R'000
<b>22 Deferred income</b>		
Current portion	3,834	4,402
<b>Balance at 31 March</b>	<u>3,834</u>	<u>4,402</u>

In terms of Article 9 of the agreement between The Government of the Kingdom of Denmark and the Municipal Demarcation Board (MDB) on local services boundary alignment, any unspent part of the grant, including any interest accrued, must be repaid at the same time as the final audited accounts are submitted to the Embassy.

As at 31 March 2006 the accumulated interest earned and payable to the Donor in terms of the agreement was R520,522.

<b>23 Accumulated surplus (Deficit)</b>		
Balance at 1 April as originally stated	0	153
Correction of Prior Year error	0	-109
As restated	-1839	44
Surplus/(deficit) for the year as originally stated	0	-1944
Correction of error	0	61
As restated	0	-1883
Surplus/(deficit) for the year	3,465	0
<b>Balance at 31 March</b>	<u>1,626</u>	<u>-1,839</u>

#### Effect on opening accumulated deficit

Nature of prior year error		
Interest accrued to donor funding	0	-284
Overprovision of depreciation	0	175
		-109
Incorrectly expensed asset	0	10
Reversal of depreciation	0	-1
Reversal of recurring amount	0	18
Reduction of depreciation due to residual values	0	16
Incorrect misallocation to prepaid expenses, now expensed	0	-17
Correction of operating lease payment	0	-154
Gains on Non-current assets	0	189
<b>Total</b>	<u>0</u>	<u>61</u>

#### Prior year error 2004/2005

1. An asset purchased in 2004/2005 was incorrectly expensed at 31 March 2005, at R9,893. This resulted in further depreciation of R1,100 not recognized during the period. The financial statements have been re-stated to correct this error.

Increase in asset	0	10
Increase in depreciation	0	-1
Decrease in deficit	0	9

2. An accrual was overprovided by R5,800 in 2004/2005 resulting in overstatement of expenses by R5,800. The financial statements have been restated to correct this error.

Decrease in expenses	0	6
Decrease in deficit	0	6

	31/03/2006 R'000	31/03/2005 R'000
3. An expense was captured twice in the 2004/2005 financial statement. The financial statements have been restated to correct this error		
Decrease in expenses	0	12
Decrease in deficit	<u>0</u>	<u>12</u>
4. No residual value was determined for office equipment in prior years resulting in overprovision of depreciation of R16,000. The financial statements have been restated to correct this error.		
Decrease in depreciation	0	16
Decrease in deficit	<u>0</u>	<u>16</u>
5. In 2004/2005 insurance expenses of R17,032 was incorrectly allocated to prepaid expenses. The financial statements have been restated to correct this error.		
Increase in expenses	0	-17
Increase in deficit	<u>0</u>	<u>-17</u>
Decrease in prepaid expenses	0	17
Decrease in net asset	<u>0</u>	<u>17</u>
6. The operating lease payments were not treated on a straight line basis in terms of IAS 17. This resulted in understatement of R154,218 in rent paid and understatement of R154,218 in operating lease liability. The financial statements have been restated to correct this error.		
Increase in expenses	0	-154
Increase in deficit	<u>0</u>	<u>-154</u>
Increase in operating lease liability	0	154
Decrease in deficit	<u>0</u>	<u>-154</u>
7. Due to overprovision of depreciation in prior years asset were understated by 189,885. The financial statements have been restated to correct this error.		
Increase in asset	0	189
Decrease in deficit	<u>0</u>	<u>-189</u>
Gains in assets	0	189
Increase in net assets	<u>0</u>	<u>189</u>

#### **Prior year error 2003/2004**

The interest accrued to donor funding from previous years was incorrectly credited to the Board's income instead of crediting the respective donor funding. There was overprovision of depreciation during the 2003/2004 financial period.

#### **24 Reconciliation of surplus /(deficit) before taxation to cash generated from /(utilized in) operation**

Surplus/(deficit) for the period	3,465	-1,883
Adjusted for:		
- Depreciation on property, plant and equipment	573	335
- Amortisation of intangible assets	109	165
- Gains on sale of property, plant and equipment	-130	-196
- Interest received	-56	-104
- Increase/(decrease) in provisions	34	289
- Deferred income	-568	-991
Operating cash flows before working capital changes	<u>3,427</u>	<u>-2,385</u>
Working capital changes	-272	4,119

	31/03/2006 R'000	31/03/2005 R'000
- Decrease/(increase) in receivables	-10	836
- Increase/(decrease) in payables	-262	3,283
<b>Cash generated from operations</b>	<b>3,155</b>	<b>1,734</b>

## 25 Operating lease arrangements

### The Board as lessee

At the reporting date the Board had outstanding commitments under non-cancelable operating leases, which fall due as follows:

Up to 1 year	929	929
1 to 5 years	1,936	2,866
More than 5 years		
	<b>2,865</b>	<b>3,795</b>

## 26 Capital commitments

Commitment for the acquisition of intangible assets

- contracted but not provided in the financial statements

### Total future capital commitment

	112	0
	<b>112</b>	<b>0</b>

## 27 Reconciliation of minimum lease payments:

### Finance lease

At the reporting date the Board had outstanding commitments under finance lease obligations, which fall due as follows:

Payable within 1 year	103	0
Payable from 1 to 5 years	205	0
	<b>308</b>	
Less interest portion	-47	0
Present value of lease liability	261	0
Payable within 1 year	78	0
Payable from 1 to 5 years	183	0

The Board has entered into lease arrangement with Nashua Pretoria for the rental of office equipment over the period of four years at an effective interest rate of 11% per annum linked to a prime lending rate.

## 28 Members' emoluments

Fulltime Chairperson		
DR V MLOKOTI	727	694
- Salary (as determined by the Minister: PLG)	727	694
Manager: Municipal Demarcation Board		
MR RH MONARE	645	627
- Salary (as determined by the Board)	645	627
CFO: Municipal Demarcation Board		
MR RM SOMANJE	365	281
- Salary (as determined by the Board)	365	281
Sub-Total	<b>1,737</b>	<b>1,602</b>

	31/03/2006 R'000	31/03/2005 R'000
Part-time Board and Committee Members		
name of member: MS ME LETSOALO	143	136
- Allowances (as determined by the Minister: PLG)	143	136
name of member: MS ME MOLEBATSI	131	124
- Allowances (as determined by the Minister: PLG)	131	124
name of member: PROF NC STEYLER	131	138
- Allowances (as determined by the Minister: PLG)	131	138
name of member: MR AM MOGALE	131	124
- Allowances (as determined by the Minister: PLG)	131	124
name of member: KHOSI TJ RAMOVHA	134	145
- Allowances (as determined by the Minister: PLG)	134	145
name of member: MS N GWAYI	131	130
- Allowances (as determined by the Minister: PLG)	131	130
name of member: MR LJ MAHLANGU	131	125
- Allowances (as determined by the Minister: PLG)	131	125
name of member: MR JP BOTHA (Chairperson of the Audit Committee)	76	84
- Allowances (as determined by the Board)	76	84
name of member: DR MO SUTCLIFFE	-	-
- Allowances (as determined by the Minister: PLG)	-	-
Full time member	1,737	1,602
Part time member	1,008	1,006
<b>Total Members' emoluments</b>	<b>2,745</b>	<b>2,608</b>

## 29 Irregular and fruitless & wasteful expenditure

### Irregular expenditure

During the period under review, we incurred expenditure that was in contravention of the PFMA Act. Accordingly, section 38(1)(g) of the Public Finance Management Act (PFMA) prescribes that cases of irregular expenditure involving the procurement of goods and services must be reported to the relevant Treasury.

The amount to be classified as irregular expenditure is R66, 002.55 which is 5.9% of the total procurement for the year. We have informed the National Treasury of the incidence and we are awaiting the response.

### Fruitless and wasteful expenditure

An amount of R4,848.44 was incurred as the results of administration of traffic fines by the travel agent, traffic fines and access charges on hired cars. Section 1 of the PFMA defines such expenses as fruitless and wasteful expenditure. In terms of paragraph 9.1.3 of Treasury Regulations, an accounting officer must take into account the extent of the expenditure involved and nature and seriousness of the transgression when determining the appropriateness of disciplinary steps against an official that is involved. No disciplinary steps were taken against the official involved due to the amount and seriousness of the transgression.

31/03/2006  
R'000

31/03/2005  
R'000

### **Tender processes not followed for appointing consultants**

During the period under review the appointment of some consultants were not in accordance with the provision of Treasury Regulations. The regulations that were contravened were in regard to the appointment of sole or preferred consultants and no advertisements and/or publication of tenders awarded. This was mainly due to budget constraints and the small number of staff compliment at the Board. Further, due to the urgency of the required services we could not confirm the restrictions of companies and persons on Treasury database of restricted persons and companies, and could not confirm whether the consultants have submitted SARS clearance certificates. Therefore the Board's policies and procedures were not fully aligned with the practice note issued by Treasury.

The total value of the above contracts awarded amounted to R6,271,059 for 2005/2006 and R8,754,564 in 2004/2005.

### **Finance lease**

The irregular expenditure arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred. This is synonymous with the definition of a finance lease as defined in South African Statements of Generally Accepted Accounting Practice IAS 17 – Leases and Treasury Regulation 13.2.2. Finance leases need to be entered into through the Minister of Finance. The intention of management was to acquire the use of an asset for an agreed period of time through the payment of a series of rentals, and not to contravene Treasury Regulations or the Public Finance Management Act. As a result no individual can be held liable for the incurrence of the irregular expenditure. The amount involved in this transaction is R101,283.

### **30 Events after reporting date**

There are no events after reporting date to be reported.

### **31 Going concern**

The Board has reviewed the financial statements during the period under review and concluded that the Board will continue in operation for the foreseeable future.

**The Municipal Demarcation Board  
Annexure to the Annual Financial Statements  
For the year ended 31 March 2006**

[Annexure 1A](#) **Statement of local and foreign aid assistance received**

Name of Donor		Purpose	31/03/2006	31/03/2005
Local aid received			R'000	R'000
	DBSA	Municipal capacity assessment	0	1,000
Total Local			0	1,000
Foreign aid received			R'000	R'000
	Norwegian Government	Ward delimitation and GIS accessibility	3	2,899
	Danish Government	Alignment of government service delivery boundaries	647	71
Total Foreign			650	2,970
<b>Total local and foreign aid assistance received</b>			<b>650</b>	<b>3,970</b>

**The Municipal Demarcation Board  
Annexure to the Annual Financial Statements  
For the year ended 31 March 2006**

[Annexure 1B](#) **Statement of local and foreign aid  
assistance paid**

Name of Recipient		Purpose	31/03/2006	31/03/2005
Local Aid paid			R'000	R'000
	DBSA	Municipal capacity assessment	0	1,000
Total Local			0	1,000
Foreign Aid paid			R'000	R'000
	Norwegian Government	Ward delimitation and GIS accessibility	0	2,899
	Danish Government	Alignment of government's service delivery boundaries	647	71
Total Foreign			647	2,970
<b>Total local and foreign aid assistance paid</b>			<b>647</b>	<b>3,970</b>

# MUNICIPAL DEMARCATION BOARD

## 2005/2006 – ANNUAL REPORT

### ANNEXURE A

#### OVERSIGHT REPORT

##### Human Resources oversight Statistics for the period April 2005 to January 2006

The Statistical Tables in this Annexure provide important information on key human resource issues. The information aims to empower our key stakeholders and all who are interested in the Board and its work, to monitor whether the Board as an institution is, in addition to fulfilling its constitutional and other mandates, also achieving national transformation priorities.

#### 1. Expenditure

The following tables summarise expenditure by Cluster (Table 1.1) and by Salary levels (Table 1.2). The tables provide an indication of the amount spent on personnel costs in terms of the Clusters or Salary levels within the Board.

**TABLE 1.1 – Personnel Costs by Cluster 2005/06**

<b>Cluster</b>	<b>Total Personnel costs R</b>	<b>Expenditure on remuneration R</b>	<b>Expenditure on Training and Other R</b>	<b>Cluster Personnel cost as a percentage of total personnel costs</b>	<b>Average Cluster personnel cost R</b>
Cluster 1 Administration and HR	918,185	880,050	38,135	14,60	153,031
Cluster 2 Finance and Procurement Control	876,594	837,795	38,799	13,94	219,149
Cluster 3 GIS and IT	1,845,679	1,775,698	69,981	29,35	184,568
Cluster 4 Research and Implementation	605,596	572,815	32,781	9,63	201,865
Manager and Board Members	2,041,587	1,946,856	94,731	32,46	204,159

**TABLE 1.2 – Personnel Costs by Salary Levels, 2005/06**

<b>Salary level</b>	<b>Total Personnel Expenditure R</b>	<b>% of Total personnel cost</b>	<b>Average personnel cost per employee R</b>
<u>Level 7</u> • Auxiliary Services Officer • Receptionist	175,125	3,77	87,563
<u>Level 6</u> • Administrative Assistant • Finance Officer • Help Desk Officer • Junior GIS Officer • Researcher	696,020	14,99	116,003
<u>Level 5</u> • Application and Web Developer • Archivist • Senior GIS Officer	498,326	10,73	166,109
<u>Level 4</u> • GIS Analyst • IT Specialist • Senior Finance Officer • Senior Researcher	1,035,555	22,30	207,111
<u>Level 3 &amp; 2</u> • Data Administrator • Cluster Heads	1,721,3888	37,07	344,278
<u>Level 1</u> Manager: Municipal Demarcation Board	517,352	11,14	517,352

The following tables provide a summary per Cluster (Table 1.3) and Salary level (Table 1.4) of expenditure incurred as a result of salaries and overtime. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**TABLE 1.3 – Salaries and Overtime by Cluster, 2005/06**

<b>Cluster</b>	<b>Salaries</b>		<b>Overtime</b>	
	<b>Amount R</b>	<b>Salaries as a % of personnel cost</b>	<b>Amount R</b>	<b>Overtime as a % of personnel cost</b>
<u>Cluster 1</u> Administration and HR Management	726,358	11,55	7,003	0,96
<u>Cluster 2</u> Finance and Procurement Control	744,537	11,84	18,791	2,52
<u>Cluster 3</u> GIS and IT	1,713,453	27,25	61,404	3,58
<u>Cluster 4</u> Research and Implementation	835,959	13,30	4,208	0,50
Manager and Board Members	1,839,711	29,26	0	0

**TABLE 1.4 – Salaries and Overtime by Salary level, 2005/06**

Salary level	Salaries		Overtime	
	Amount R	Salaries as a % of personnel cost	Amount R	Overtime as a % of personnel cost
<u>Level 7</u> • Auxiliary Services Officer • Receptionist	175,146	3,77	1,152	0,66
<u>Level 6</u> • Administrative Assistant • Finance Officer • Help Desk Officer • Junior GIS Officer • Researcher	696,020	14,99	30,048	4,32
<u>Level 5</u> • Application and Web Developer • Archivist • Senior GIS Officer	498,326	10,73	7,240	1,45
<u>Level 4</u> • GIS Analyst • IT Specialist • Senior Finance Officer • Senior Researcher	1,035,555	22,30	47,009	4,54
<u>Levels 3 &amp; 2</u> • Data Administrator • Cluster Heads	1,721,388	37,07	5,056	0,29
<u>Level 1</u> Manager: Municipal Demarcation Board	517,352	11,14	0	0

## 2. Employment and Vacancies

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is also presented in terms of the two key variables: Cluster (Table 2.1), and salary level (Table 2.2)

**TABLE 2.1 – Employment and vacancies by Cluster, 31 January 2006**

Cluster	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Manager	1	1	0	Nil
Administrative Assistant	1	1	0	Nil
<u>Cluster 1</u> Administration and HR Management	5	5	0	Nil
<u>Cluster 2</u> Finance and Procurement Control	4	4	0	Nil
<u>Cluster 3</u> GIS and IT	12	8	4	Nil
<u>Cluster 4</u>	4	3	1	Nil

Research and Implementation				
-----------------------------	--	--	--	--

**TABLE 2.2 – Employment and vacancies by Salary level, 31 January 2006**

Salary Level	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
<u>Level 7</u>				
• Auxiliary Services Officer	1	1	0	Nil
• Receptionist	1	1	0	Nil
<u>Level 6</u>				
• Administrative Assistant	1	1	0	Nil
• HR Assistant	1	1	0	Nil
• Finance Officer	1	1	0	Nil
• Help Desk Officer	1	1	0	Nil
• Junior GIS Officer	1	1	2	Nil
• Researcher	1	1	1	Nil
<u>Level 5</u>				
• Application & Web Developer	1	1	0	Nil
• Archivist	1	1	0	Nil
• Senior GIS Officer	2	1	1	Nil
<u>Level 4</u>				
• GIS Analyst	2	1	1	Nil
• IT Specialist	1	1	0	Nil
• Senior Finance Officer	2	2	0	Nil
• Senior Researcher	1	1	0	Nil
<u>Levels 3 &amp; 2</u>				
• Data Administrator	1	1	0	Nil
• Cluster Heads	4	4	0	Nil
<u>Level 1</u>				
Manager: Municipal Demarcation Board	1	1	0	Nil

### 3. Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the Board. The following tables provide a summary of turnover rates by Cluster (Table 3.1) and by Salary level (Table 3.2).

**Table 3.1 – Annual turnover rates by Cluster - 1 April 2005 to 31 January 2006**

Cluster	Number of employees per Cluster as on 1 April 2005	Appointments	Terminations	Turnover rate %
Manager	1	0	0	0
Administrative Assistant	1	0	0	
<u>Cluster 1</u>	5	1	1	40
Administration and HR Management				
<u>Cluster 2</u>	3	1	0	33.3

Finance and Procurement Control				
Cluster 3 GIS and IT	9	1	2	33.3
Cluster 4 Research and Implementation	3	0	0	0

**Table 3.2 – Annual turnover by Salary Level – 1 April 2005 to 31 January 2006**

Salary Level	Number of employees per Cluster as on 1 April 2005	Appointments	Terminations	Turnover rate %
<u>Level 7</u>				50
• Auxiliary Services Officer	1	0	0	
• Receptionist	1	1	1	
<u>Level 6</u>				66.67
• Administrative Assistant	1	0	0	
• HR Assistant	1	1	0	
• Finance Officer	1	0	0	
• Help Desk Officer	1	0	0	
• Junior GIS Officer	1	1	3	
• Researcher	1	0	0	
<u>Level 5</u>				25
• Application and Web Developer	1	0	0	
• Archivist	1	0	0	
• Senior GIS Officer	2	0	1	
<u>Level 4</u>				25
• GIS Analyst	1	0	0	
• IT Specialist	1	0	0	
• Senior Finance Officer	1	1	0	
• Senior Researcher	1	0	0	
<u>Levels 3 &amp; 2</u>				0
• Data Administrator	1	0	0	
• Cluster Heads	4	0	0	
<u>Level 1</u> Manager: Municipal Demarcation Board	1	0	0	0

Table 3.3 identifies the major reasons why staff left the Board.

**Table 3.3 – Reasons why staff are leaving the Board**

Termination Type	Number	% of total
Death	Nil	---
Resignation	2	9.09
Expiry of contract	Nil	---
Dismissal –operational changes	Nil	---
Dismissal – misconduct	Nil	---
Dismissal – inefficiency	Nil	---
Discharged due to ill-health	Nil	---
Retirement	Nil	---
Other	Nil	---

<b>Total</b>	<b>2</b>	---
Total number of employees who left as a % of the total employed		9.09

#### 4. Foreign Workers

No foreign nationals are employed at the Board.

#### 5. Leave Utilisation for the period 1 April 2005 to 31 January 2006

The need to carefully monitor sick leave by Board employees has become a necessity. The following tables provide an indication of the use of sick leave by Cluster (Table 5.1) and by Salary Level (Table 5.2) during the period under review. The estimated cost of the leave is also provided.

**Table 5.1 – Sick leave by Cluster, 1 April 2005 to 31 January 2006**

Cluster	Total Days	% days with medical certification	Number of Employees using sick leave	% of total employees	Average days per employee	Estimated Cost
<u>Cluster 1</u> Administration and HR Management	40.5	5	6	24	7	22,625
<u>Cluster 2</u> Finance and Procurement Control	24	1.33	3	12	8	20,615
<u>Cluster 3</u> GIS and IT	126	7.8	10	4	12.6	99,629
<u>Cluster 4</u> Research and Implementation	11	1.33	3	12	4	14,145
Manager and Chairperson	11	2.5	2	8	6	26,784

**Table 5.2 – Sick Leave by Salary level, 1 April 2005 to 31 January 2006**

Salary Level	Total Days	% days with medical certification	Number of Employees using sick leave	% of total employees	Average days per employee	Estimated Cost
<u>Level 7</u>		39		8		12,932
• Auxiliary Services Officer	11		1		11	
• Receptionist	5		1		5	
<u>Level 6</u>		18		28		154,171
• Administrative Assistant	8		1		8	
• HR Assistant	3		1		3	
• Finance Officer	11		1		11	
• Help Desk Officer	12		1		12	
• Junior GIS Officer	8		2		4	
• Researcher	6		1		6	
<u>Level 5</u>		18		12		42,543
• Application and	2		1		2	

Web Developer						
• Archivist	7.5		1		7.5	
• Senior GIS Officer	9		1		9	
<u>Level 4</u>		36		24		238,937
• GIS Analyst	25		1		25	
• IT Specialist	9		1		9	
• Senior Finance Officer	11		2		5.5	
• Senior Researcher	5		1		5	
<u>Levels 3 &amp; 2</u>		62		2		476,619
• Data Administrator	12		1		12	
• Cluster Heads	48		4		12	
<u>Level 1</u>		71		25		16,712
Manager: Municipal Demarcation Board	7		1		7	

Tables 5.3 and 5.4 summarise the utilization of annual leave. There is a need to monitor the annual leave to prevent as far as is possible, excessively high levels of accrued leave being paid at the time of termination of service.

**Table 5.3 – Annual Leave by Cluster, 1 April 2005 to 31 January 2006**

Cluster	Total Days taken	Average per employee
<u>Cluster 1</u> Administration and HR Management	75.5	15.1
<u>Cluster 2</u> Finance and Procurement Control	39	9.75
<u>Cluster 3</u> GIS and IT	212.5	21.25
<u>Cluster 4</u> Research and Implementation	60	20
Manager /Administrative Assistant/Chairperson	18	6

**Table 5.4 – Annual Leave by Salary Level, 1 April 2005 to 31 January 2006**

Salary Level	Total Days taken	Average per employee
<u>Level 7</u> • Auxiliary Services Officer • Receptionist	22	11
<u>Level 6</u> • Administrative Assistant • HR Assistant • Finance Officer • Help Desk Officer • Junior GIS Officer • Researcher	155	26
<u>Level 5</u> • Application and Web Developer • Archivist • Senior GIS Officer	74.5	25
<u>Level 4</u> • GIS Analyst • IT Specialist	91.5	18

<ul style="list-style-type: none"> <li>• Senior Finance Officer</li> <li>• Senior Researcher</li> </ul>		
<u>Levels 3 &amp; 2</u> <ul style="list-style-type: none"> <li>• Data Administrator</li> <li>• Cluster Heads</li> </ul>	80	16
<u>Level 1</u> Manager: Municipal Demarcation Board	11	11

## 6. Labour Relations

The following table summarises the outcome of disciplinary hearings conducted within the Board for the period under review.

**Table 6.1 – Misconduct and disciplinary hearings finalized, 1 April 2005 to 31 January 2006**

<b>Outcomes of disciplinary hearings</b>	<b>Number</b>	<b>% of total</b>
Correctional Counselling	Nil	0
Verbal Warning	Nil	0
Written Warning	2	9.09
Final written warning	Nil	0
Suspended without pay	Nil	0
Fine	Nil	0
Demotion	Nil	0
Dismissal	Nil	0
Not Guilty	Nil	0
Case withdrawn	Nil	0
<b>Total</b>	<b>2</b>	<b>9.09</b>

**Table 6.2 – Grievances lodged for the period 1 April 2005 to 31 January 2006**

<b>Grievances</b>	<b>Number</b>	<b>% of total</b>
Number of Grievances resolved	Nil	0
Number of Grievances not resolved	Nil	0
<b>Total Number of grievances lodged</b>	<b>Nil</b>	<b>0</b>

**Table 6.3 – Strike Actions for the period 1 April 2005 to 31 January 2006**

There were no strike actions during the period under review.

**Table 6.4 – Precautionary Suspensions for the period 1 April 2005 to 31 January 2006**

Number of people suspended	Nil
Number of people whose suspension exceeded 30 days	Nil
Average number of days suspended	Nil
Cost of suspensions	Nil