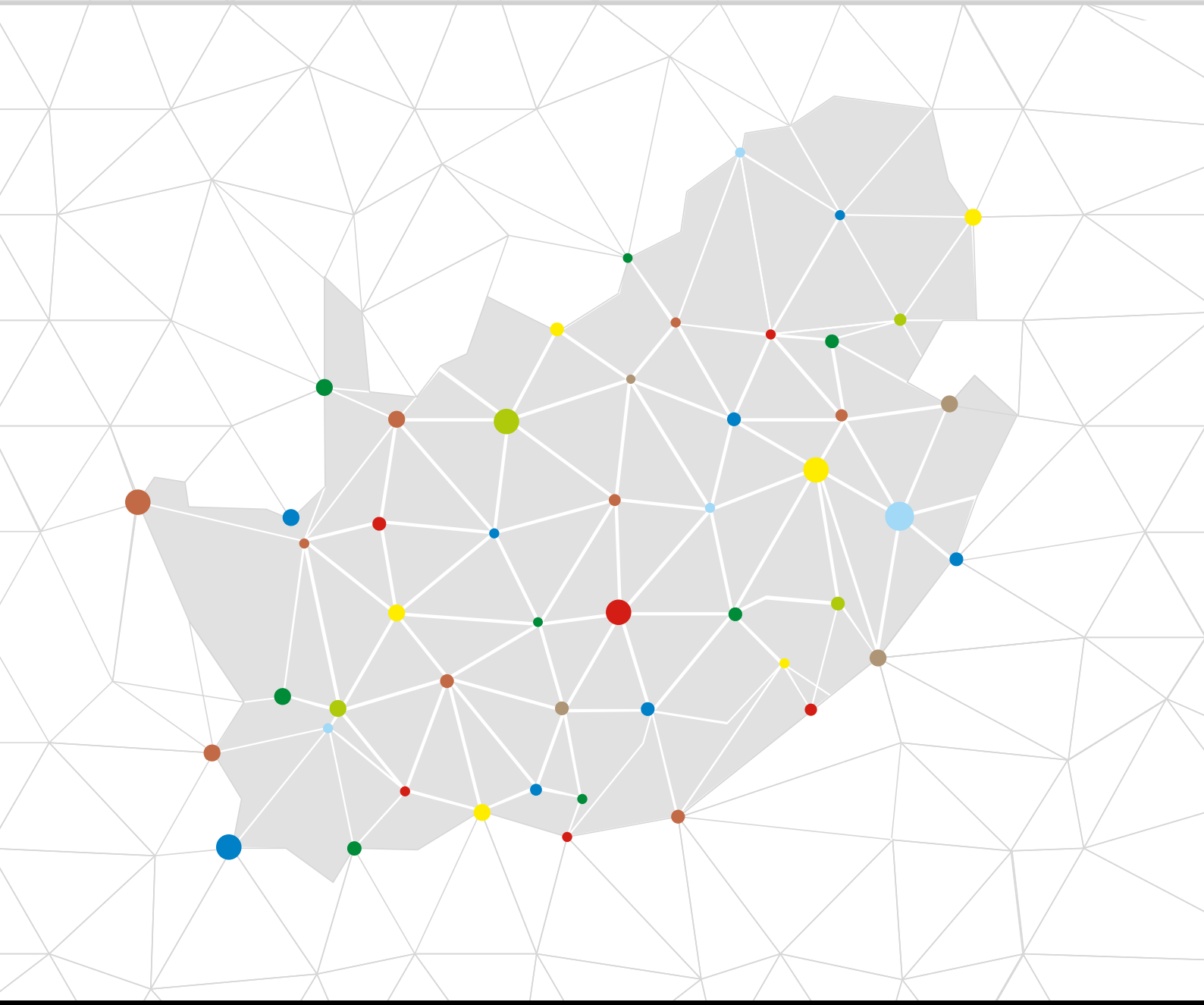
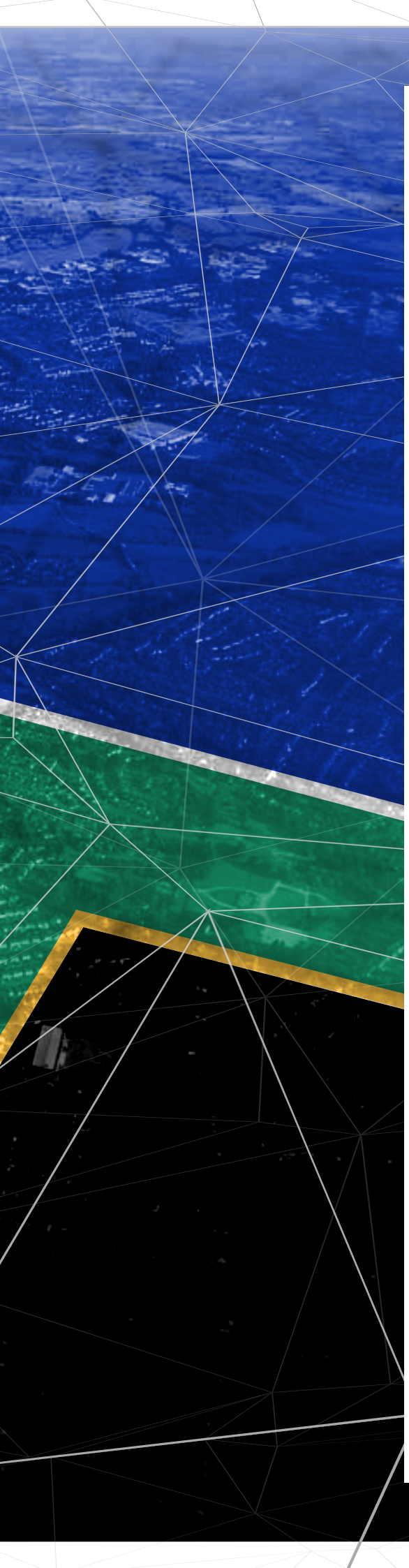
municipal demarcation board



ANNUAL REPORT **2017/18**



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A B C D E F G

PART

A

GENERAL INFORMATION

1 ADMINISTRATION AND CORPORATE INFORMATION

Registered Name
The Municipal Demarcation Board

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

Postal Address
Private Bag x123
Centurion
0046
South Africa

Telephone
+27 12 342 2481

Facsimile
+27 12 342 2480

The 2017/18 MDB Annual Report is also available on www.demarcation.org.za.

Website
www.demarcation.org.za

External Auditors
The Auditor-General of South Africa

Bankers
ABSA Bank Limited

Company Secretary
Advocate Kgabo Gabriel Mapotse

2 LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
APP	Annual Performance Plan
Board	The Board established in terms of Section 2 of the Municipal Demarcation Act and composed of members appointed by the President of the Republic of South Africa
BPFC	Boundaries, Powers and Functions Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
CSG	Chief Surveyor General
ERM	Enterprise Risk Management
FFC	Financial and Fiscal Commission
GIS	Geographical Information System
GTAC	Government Technical Advisory Centre
HSRC	Human Sciences Research Council
HTL	House of Traditional Leaders
IEC	Independent Electoral Commission
ISA	International Standards on Auditing
MDA	Municipal Demarcation Act 27 of 1998
MDB	Municipal Demarcation Board (the organisation)
MEC	Member of the Executive Council
MINMEC	Ministers and Members of Executive Council
MoU	Memorandum of Understanding
MSA	Municipal Structures Act 117 of 1998
MTEF	Medium Term Expenditure Framework
NT	National Treasury
NWU	North West University
PAJA	Promotion of Administrative Justice Act 3 of 2000
PFMA	Public Finance Management Act 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act 5 of 2000
SACN	South African Cities Network
SCM	Supply Chain Management
StatsSA	Statistics South Africa
TR	Treasury Regulations
UJ	University of Johannesburg
WITS	University of the Witwatersrand
WSP	Workplace Skills Plan

3 STRATEGIC OVERVIEW

Vision

The Board's vision is "To be the leading demarcation authority".

Mission

The Municipal Demarcation Board (MDB) is South Africa's municipal demarcation authority, whose mission is to deepen democracy and to facilitate the socio-economic transformation of the country for the benefit of its citizens by:

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

Values

- Independence
- Good governance
- Inclusivity
- Quality

Strategic outcome oriented goals

- Good Governance and sound financial management capability;
- Quality Demarcation Processes and Outcomes;
- Assessment of the Capacity of municipalities;
- Research and Knowledge management capability;
- Public participation and outreach initiatives.

4 LEGISLATIVE AND OTHER MANDATES

The work of the MDB is steered by, among others, the following legislation, functional and policy mandates:

The Constitution of the Republic of South Africa, 1996

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

Local Government: Municipal Demarcation Act 27 of 1998

- Section 3 provides that the Board is a juristic person, is independent 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 117 of 1998

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

Cabinet resolutions

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

Policy mandates

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

Court rulings

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

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

The following legislation and regulations are applicable:

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

Name of controlling entity

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

5 ORGANISATIONAL STRUCTURE

FOREWORD BY

THE CHAIRPERSON

In presenting the Annual Report for the financial year 2017/18, I am pleased to report on the tremendous achievement of the MDB against pre-determined objectives for the period. This, despite the lingering financial constraints, is owed to the commitment of our staff as well as the relentless support from the board. I am also delighted that what seemed like an over-ambitious mission could indeed be accomplished.

Our achievements also reflect great partnerships with institutions such as the Human Sciences Research Council (HSRC), Public Affairs Research Institute, University of Johannesburg, University of North West, the South African Cities Network (SACN), the Independent Electoral Commission (IEC), Statistics South Africa (StatsSA), South African Local Government Association (SALGA), Financial and Fiscal Commission (FCC) and office of the Chief Surveyor General (CSG). In particular the nationwide pre-legal consultations with Provincial Executive Councils, National House of Traditional Leaders, municipalities and communities affected by the technical boundary alignment project constituted an amazing test case for the MDB's new Public Participation Strategy. This allowed stakeholders enough time to engage and make valuable inputs before the legally prescribed processes could be initiated.

> " Our achievements also reflect great partnerships with institutions such as the Human Science Research Council (HSRC), Public Affairs Research Institute, University of Johannesburg, University of North West, the South African Cities Network (SACN), the Independent Electoral Commission (IEC), Statistics South Africa (StatsSA), South African Local Government Association (SALGA), Financial and Fiscal Commission (FCC) and office of the Chief Surveyor General (CSG). "

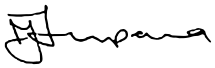
The Partnership with the HSRC saw us convening two seminars, one focusing on the categorisation of metropolitan municipalities whilst the second focusing on social cohesion and stakeholder/public participation. The latter was premised on the exploratory study conducted by HSRC on the drivers of violence and conflict over municipal boundaries in Vuwani, Limpopo Province. This triggered a constructive policy dialogue on public participation.

During the course of this year one of the board members, Ms Nompumelelo Mpofu resigned after having served almost four out of the five years of her full term. She left having laid a firm foundation for the organisation through the Board's Human Capital Committee as well as the Knowledge Management and ICT Committee, both of which she ably chaired. With her departure, the board continues to manage with only eight members as it approaches the end of its tenure.

As I present our last annual report, it is my firm view that we have laid a firm foundation for the new board that will be appointed before the end of the 2019/20 financial year to grasp the baton as they navigate the organisation, mainly in relation to projects that could not be implemented due to resource limitations, e.g. establishing regional footprints and strengthening the research and knowledge management capacity.

I, therefore welcome this opportunity to acknowledge and thank all our key stakeholders, more especially the Chairperson and members of the Portfolio Committee on Cooperative Governance and Traditional Affairs. The success of the MDB is owed to their oversight, mainly constructive criticism and unwavering support throughout our tenure. I also take this opportunity to express my gratitude to the four Ministers of the Department of Cooperative Governance and Traditional Affairs (CoGTA) with whom we have worked during our tenure for their support, mainly in relation to the funding crisis, and to all other stakeholders who became part of our extended family.

My sincere appreciation goes to the staff and management for their dedication and the board members for their selfless commitment, investing their expertise often beyond the call of duty.



Ms Jane Thupana
Chairperson
Municipal Demarcation Board
31 May 2018

CHIEF EXECUTIVE OFFICER'S OVERVIEW

It is my pleasure to present the 2017/18 Annual Report of the MDB to our stakeholders.

The 2017/18 financial year was full of activities stemming from the municipal outer boundary re-determination process. Coupled, with an Annual Performance Plan (APP) resulting from the strategic planning process undertaken by the Board after its successful 2016 conference on demarcation and spatial transformation, both the board and staff were enthusiastic about tackling the year under review with vigour.

Board's achievements

The financial year 2017/18, saw the institution improving its performance by over 20%. This improvement was largely as a result of the Board and employees focusing their energy on what they set themselves to achieve despite meagre resources, both financial and human.

The MDB undertook a nationwide process of consulting communities, farm owners and municipalities affected by technical boundary misalignments. At these consultative sessions, the MDB presented the misalignment cases including scheduled activities and timeframes, and afforded the affected communities and stakeholders the opportunity to make comments on these cases, and/or propose alternate configurations where possible.

Inputs from all these stakeholders, mainly affected communities, have provided the MDB with enough insight on how the cases of misalignments should be addressed and the MDB proceeded with a total of 106 cases throughout the country. These cases were categorised as follows nationally: 2 split traditional areas, 12 split farms, 30 split settlements and 62 cadastre misalignments.

The MDB continued with the re-determination of municipal outer boundaries process for the correction of technical municipal boundary misalignments, a process that is alluded to above. This process will be concluded in July 2018, with the publication of Section 21(5) notices in

provincial Government Gazettes. The visitation and consultation of affected communities before the commencement of the legal process was the first since inception of the MDB.

This was made possible by the financial resources added to our baseline, which were ring-fenced for public consultation process and capacity assessment. This also paved the way for increased education and awareness activities on boundary re-determination processes. As a result thereof, radio campaigns utilising both community and commercial radio stations, together with social media and localised loud hailing were used, to spread information on the community consultation sessions and Section 26 notices. Further to this, an information book on the boundary re-determination process was circulated at these consultation sessions and to municipalities.

In this financial year, the institution began with the project of developing spatial boundary descriptions for all municipalities by end-2021. This project will be critical for future determination and re-determination of municipal boundaries as it will ensure that boundaries can spatially be defined. This will further assist in determining in which municipality a specific area is located.

The population of the organisational structure increased marginally increased to above 90% and remained stable during the year under review. A job grading on non-managerial positions was conducted and the Board is considering various options of implementing the recommendations thereof.

Whilst the institution's performance on its predetermined objectives increased by over 20% as referred to above, this could have been better if the additional resources that were made available during the adjustment period could have been earlier. Thus, the MDB was unable to complete the assessment of municipal capacity to perform its powers and functions. It is envisaged that the project will be completed by October 2018.

Implementation of the regionalisation model developed in 2016/17 is still limited, and as such the MDB is unable to deploy resources to improve on the delivery of its mandate and services at a provincial or regional level and ensure continuous engagements and build a social contract with communities.

Future plans

As alluded to earlier, the assessment of municipal capacity to perform their powers and functions planned for 2017/18, will be concluded only by October 2018.

As the term of the current board ends in February 2019, the MDB will mark its 20-year anniversary. To celebrate this milestone, the board will host a conference on "Reflections on two decades of demarcation."

Our programme to deepen democracy and citizen engagement through public participation, education and awareness, will continue in 2018, and beyond. This will, further enhance the outreach programmes to strengthen public awareness and education of demarcation processes, in particular the completion of the municipal outer boundary re-determination processes in 2018/19 and ward delimitation process that will commence in 2019/20 financial year.

In memoria

The MDB lost one of its own, Mr Kamal Khadua, who passed away on 11 December 2017. Kamal will always be remebered as a smart and intelligent colleague not afraid to challenge the status quo, and who could aptly make his thoughts known in a calm and measured way.

Appreciation

As we pursue the quest for excellence, we must continue to ensure that we put our values of impartiality, inclusivity and integrity at the top of our dealings.

I extend my appreciation to the board, for its continued guidance and direction. It would be remiss of me not to acknowledge the hard work of all employees of the MDB, whose dedication and commitment made it possible to achieve what we set to achieve.

Lastly, I wish to thank the Portfolio Committee for its continued oversight and support. We will need this support as we enter the third decade of demarcation, which in part will be informed by the changes envisaged in the amended demarcation legislation and the new environment brought by the new narrative of how rural and urban spaces continue to change.

Mr Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
31 May 2018

Technical boundary alignment process

1075
CASES OF BOUNDARY MISALIGNMENTS IDENTIFIED

REDUCED TO
163
AFTER CONSULTATIONS WITH IEC, CSG & STATSSA

154
NUMBER OF CASES AFTER CONSULTATION WITH MUNICIPALITIES (INCLUDING SUBMISSIONS BY MUNICIPALITIES)

- **42** – SPLIT SETTLEMENTS
- **36** – SPLIT FARMS
- **74** – CADASTRE MISALIGNMENTS
- **2** – SPLIT TRADITIONAL AREAS

52
PUBLIC MEETINGS HELD

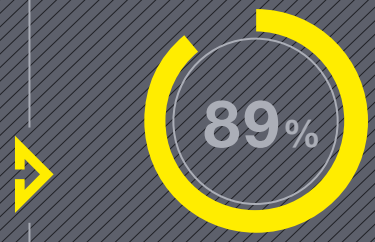
106
CASES PUBLISHED IN TERMS OF SECTION 26 OF MDA

36
SECTION 26 NOTICES PUBLISHED

Performance Information

47

PLANNED DELIVERABLES

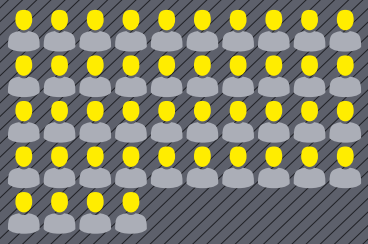


ACHIEVED

24%

INCREASE IN ACHIEVEMENT OF PLANNED DELIVERABLES

Personnel Information



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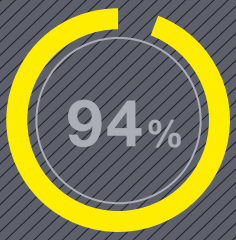
EMPLOYEES



AVERAGE 94% OCCUPANCY RATE OF FUNDED POSITIONS OVER THE PERIOD

8

APPOINTMENTS IN 2017/18

MDB IN THE NEWS

CapricornFM News @CapricornFMNews — Follow

#Demarcation The Municipal Demarcation Board says the municipal boundaries redetermination that the board is embarking on, will only affects small sections of communities and will not lead to mergers.

POWER 98.7 @Powerfm987 — Follow

[ON AIR] @MunicipalBoard Chairperson, Jane Thupane on the municipal boundary re-determinations #POWERDrive

SAfmRadio @SAfmRadio — Follow

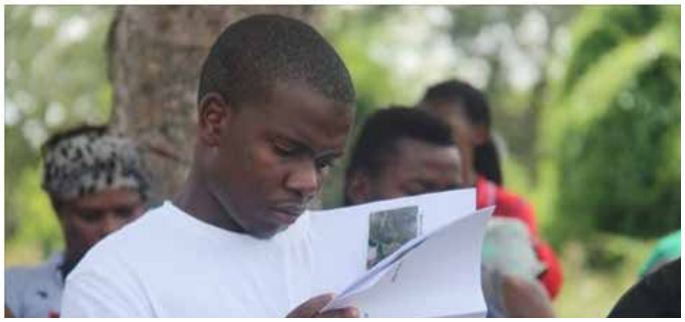
Its #MornngTalk time now, and starting the show today we speak about the Public engagement and service delivery: Lessons from Vuwani

Yesterday, the Human Sciences Research Council and the Municipal Demarcation Board... facebook.com/SAfmRadio/post...

12:12 AM - 21 Mar 2018

Municipal Demarcation Board added 6 new photos.
24 February ·

@MunicipalBoard the community of Mashanyane expressing their views and desire to move from Nkomazi Local Municipality to City of Mbombela, Mpumalanga #MDBconsultations



MyPE
21 March ·

Human Sciences Research Council (HSRC) and the Municipal Demarcation Board (MDB) today released the results of its exploratory study in Vuwani which looked at the drivers of violence and conflict that erupted over municipal boundaries. To this end, the study aimed to investigate the drivers of violence and conflict over the municipal boundaries in Vuwani. It also aimed to understand the socio-economic and psychosocial impact of the violence on the communities, their learning activities and everyday life. [531 more words]

https://mype.co.za/.../lessons-for-citizen-eng.../100976/2018/03

Lessons for citizen engagement and social cohesion

Human Sciences Research Council (HSRC) and the Municipal Demarcation Board (MDB) today released the results of its exploratory study in Vuwani which looked at the drivers of violence and conflict t...

MYPE.CO.ZA

Thabo Mashigo ▸ **Municipal Demarcation Board**
24 February ·

OPEN LETTER TO MUNICIPAL DEMARCATION BOARD

Date. 24 February 2018

By Thabo Mashigo
Civil Society North West

REQUEST FOR CONSIDERING THE TECHNICAL MUNICIPAL BOUNDARY DEMARCATION FOR MORETELE LOCAL MUNICIPALITY IN THE NORTH WEST PROVINCE

Following your consultative meetings regarding the technical municipal boundary demarcation process which is underway in other Provinces where you identified several municipal boundary misalignments in several places around the country, I request that Moretele Local Municipality in the North West be considered during consultation process.

Publication: PRETORIA NEWS
Title: Call for demarcation appeal body
AVE: 4264.04
Page: 4
Publish Date: 27 March 2018
Author: RAPULA MOATSHE

Call for demarcation appeal body

Publication: DAILY SUN GAUTENG
Title: MUNICIPAL DEMARCATION BOARD NOTICE IN TERMS OF SECTION 26 OF THE LOCAL GOVERNMENT: MUNICIPAL DEMARCATION ACT, 1998
AVE: 269017.38
Page: 12
Publish Date: 27 March 2018
Author: Unspecified

SABC Digital News
Published on Mar 28, 2018

Between the 06th and 28th of February this year, the Municipal Demarcation Board (MDB) undertook a nationwide process of consulting communities, farm owners and municipalities affected by the technical boundary misalignments. These misalignments happen for example

national and provincial

MDB: Towards inclusive demarcation

***Public Service SA* interviews Muthotho Sigidi, CEO of the Municipal Demarcation Board (MDB), about municipal and ward boundary demarcation and other matters related to mandate of the MDB.**

Muthotho Sigidi

MDB's mandate and functions
The MDB is mandated to determine and redetermine (demarcate) municipal boundaries and delimit (demarcate) wards for local government elections. As part of the former the MDB is also charged with the responsibilities to determine the categories of municipalities, ie the MDB determines if a municipal area qualifies to be category A metropolitan municipality or category B local municipality or category C district municipality.

In performing these functions the MDB follows a set of criteria which is provided for in legislation. Regarding the demarcation of municipal boundaries and categorisation of category B and C municipalities, the MDB follows the criteria as set out in Sections 24 and 25 of the Local Government: Municipal Demarcation Act 27 of 1999. The MDB follows the criteria set out in Section 2 of the Local Government: Municipal Structures Act 117 of 1998 for municipal categorisation of category A metropolitan municipalities

The MDB is also charged with the responsibility to assess the capacity of municipalities to perform their powers and functions. This is provided for in terms of section 85 of the Local Government: Municipal Structures Act 117 of 1998. A number of indicators are utilised to acquire information which will allow the MDB to make a determination regarding the capacity of each of the municipalities to perform. These assessments includes variables on aspects such as, human resources capacity, financial capacity, and infrastructural capacity. The MDB has decided to include elements of natural resources endowments or environmental capacity in order to get an overall picture of the capacity of an areas to sustain a municipality.

The MDB is also mandated to provide an advisory service in terms of the Local Government: Municipal Demarcation Act 27 of 1998. In this regards the MDB advises government and any of interested parties on aspects provided in the Act ie municipal boundary demarcation or any other legislation including the Local Government: Municipal Structures Act 117 of 1998 with respect to ward delimitation and capacity assessments.

Contrary to many people's perceptions the MDB is not mandated to demarcate provincial boundaries. The actual determination of provincial boundaries is the function or competence of Parliament and this requires parliament to amend the Constitution.

Challenges with determination of municipal boundaries
The viability and functionality of demarcated municipalities is often directly blamed on demarcation. However such is dependent on many other things, therefore the fact that a municipality is demarcated does not mean it will ultimately be viable and functional. Governance structures and systems might be dysfunctional whereas the municipal area is economically viable. For example, poor governance and administration may result in corruption which may render the municipality dysfunctional and ultimately unviable.

The demarcation process requires intensive understanding of many often complex variables before a decision could be reached. This is clear with a vastly broad and interrelated set of criteria as set out in the law. The MDB has to try and understand all these complex issues and make sense of them. These issues are neither mutually exclusive from one another and they are all equally significant. In our work we examine existing patterns of human settlements, ie employment, commuting, spending, transportation including overall migration patterns. These coupled with the analysis of overall population dynamics of the area allows us to, amongst others, gain a better understanding of an area during demarcation.

How can municipal boundary determination bolster service delivery?
The MDB does not have a direct role in service delivery, however through its municipal capacity assessments it can ensure that it influences a proper allocation of municipal powers and functions. Functions will have to be allocated to a municipality with the requisite capacity to perform that function or service; eg. If a municipality is found to have no capacity to perform firefighting services through MDB assessments, such a function could be taken away and be given to either a district or local municipality depending on where the capacity is found. This process is meant to ensure that there is sustained service delivery by ensuring that the powers and functions are allocated to a municipality that can perform the powers and functions better between the local municipality and the district municipality.

On technical misalignment processes
Technical municipal boundary alignment refers to a municipal boundary redetermination process whereby the MDB makes minor municipal boundary adjustments to correct technical misalignment of municipal boundaries to either address split settlements or align municipal boundaries to either cadastral boundaries, natural or man-made features (eg farm boundaries, rivers, roads). This is mainly aimed at improving the quality of boundaries by providing clearly defined boundaries. This normally do not affect a large size of the population.

PART

B

HIGHLIGHT OF ACHIEVEMENTS

1 TECHNICAL MUNICIPAL OUTER BOUNDARY RE-DETERMINATION PROCESS

The MDB embarked on technical municipal boundary assessments during the 2016/17 financial year. The assessment was phase one of the municipal outer boundary re-determination project. This phase entailed a desktop analysis of all municipal boundaries. The project aimed to identify what is referred to as technical cadastre misalignment/split settlements/split farms/ split traditional areas. The outcome of this desktop analysis resulted in 1 075 cases of boundary misalignments identified.

Phase two entailed consultation with key stakeholders such as Independent Electoral Commission, Chief Surveyor-General and Statistics South Africa. The intention was for these stakeholders to provide insight on the veracity of the misalignments, but also for them to provide insight on how some of these could be resolved. Thereafter, the MDB conducted further analysis of the cases and the resultant number was 163 cases of municipal boundary misalignments. These excluded cases affecting traditional leadership areas. The MDB resolved not to deal with technical municipal boundary misalignments affecting traditional areas at this stage, until such time as the project underway by the CoGTA and the Department of Rural Development and Land Reform to verify Traditional Councils throughout the country is completed. The project is envisaged to produce the following, amongst others:

a. Validated and verified spatial data for Traditional Council areas, and
b. Proclamations defining the extent of Traditional Council Areas.

An absence of the above would result in MDB using unverified data, which aspect may lead to adverse unintended consequences and more misalignments.

Phase three entailed consultation with GIS and planning officials from municipalities. The number of misalignment cases as an outcome of phase three was 154 cases as per Table 1, which includes submissions made by municipalities after municipal consultations were concluded.

The purposes were, amongst others, the following:
a. To share information on the cases of municipal boundary misalignments.
b. To afford municipalities an opportunity to make inputs on any possible challenges they are experiencing regarding municipal boundary misalignments.
c. To allow municipalities to provide guidance on spatial options for resolving technical municipal boundary misalignments.
d. To request municipalities to assist the MDB in identifying communities affected by the misalignments cases.

Cases proceeding per province per type including new cases

Province	Total Boundary Misalignment Proceeding	Split Settlements	Cadastre Misalignments	Split Farms	Split Traditional Areas
Eastern Cape	7	0	6	0	1
Free State	11	3	6	2	0
Gauteng	19 (including new)	15	0	4	0
KwaZulu-Natal	38 (including new)	8	11	19	0
Limpopo	6	1	4	0	1
Mpumalanga	12 (including new)	12	0	0	0
North West	10	3	7	0	0
Northern Cape	7	0	4	3	0
Western Cape	44 (including new)	0	36	8	0
TOTAL	154	42	74	36	2

Note: New cases are those that were submitted by municipalities during/after the consultations

Phase four entailed consultation with communities during January and February 2018. The objective was to afford communities and farmers affected by these cases of misalignments an opportunity to make proposals on how these misalignments could be resolved and make them aware of the process and their role in the whole process of municipal boundary re-determination. Details of the community consultation meetings are provided in Table 2 below:

Schedule of consultation meetings

Province	Date	MDB Ref	Misalignment Type	Affected Municipalities	Place Name
Eastern Cape	06-Feb-18	DEM5028	Split Traditional Area	Ngqushwa Local Municipality, Buffalo City Metropolitan Municipality, Amathole District Municipality	Zimbaba
Free State	22-Jan-18	DEM5306	Split Farm	Kopanong Local Municipality, Letsemeng Local Municipality, Xhariep District Municipality	Petrusburg
Free State	24-Jan-18	DEM5307	Split Farm	Tokologo Local Municipality, Tswelopele Local Municipality, Lejweleputswa District Municipality	Rietfontein 327 & 328
Free State	26-Jan-18	DEM5301	Split Farm	Tswelopele Local Municipality, Matjhabeng Local Municipality, Lejweleputswa District Municipality	Sommerville
Free State	25-Jan-18	DEM5303	Split Farm	Mafube Local Municipality, Nketoana Local Municipality, Fezile Dabi District Municipality, Thabo Mofutsanyane District Municipality	Verkykerskop/ Home Cottage
Gauteng	28-Feb-18	DEM5425	Split Settlement	Mogale City Local Municipality, City of Johannesburg Metropolitan Municipality, West Rand District Municipality	Breaunanda
Gauteng	16-Feb-18	DEM5430	Split Settlement	City of Johannesburg Metropolitan Municipality, Mogale City Local Municipality, West Rand District Municipality	Rietfontein AH
Gauteng	19-Feb-18	DEM5422	Split Settlement	Emfuleni Local Municipality, City of Johannesburg Metropolitan Municipality, Sedibeng District Municipality	Poortjie
Gauteng	21-Feb-18	DEM5400	Split Settlement	Midvaal Local Municipality, Ekurhuleni Metropolitan Municipality, Sedibeng District Municipality	Gardenvale AH, Sonwaba Park
Gauteng	22-Feb-18	DEM5436	Split Settlement	Emfuleni Local Municipality, Midvaal Local Municipality, Sedibeng District Municipality	Rissiville, Three Rivers
Gauteng	29-Jan-18	DEM5402	Split Farm	Emfuleni Local Municipality, Merafong City Local Municipality, Sedibeng District Municipality, West Rand District Municipality	Patriotsfontein
Gauteng	09-Feb-18	DEM5415	Split Farm	Rand West City Local Municipality, Mogale City Local Municipality, West Rand District Municipality	Randfontein Estate Goldmine (Reg)

Province	Date	MDB Ref	Misalignment Type	Affected Municipalities	Place Name
KwaZulu-Natal	06-Feb-18	DEM5664	Split Settlement	Umdoni Local Municipality, Umzumbe Local Municipality, Ugu District Municipality	Umzinto/MGAI
KwaZulu-Natal	06-Feb-18	DEM5665	Split Settlement	Umdoni Local Municipality, Umzumbe Local Municipality, Ugu District Municipality	Umzinto/MGAI
KwaZulu-Natal	19-Feb-18	DEM5672	Split Settlement	Alfred Duma Local Municipality, Endumeni Local Municipality, Uthukela District Municipality, Umzinyathi District Municipality	Nkunzi
KwaZulu-Natal	22-Feb-18	DEM5675	Split Farm	Ndwedwe Local Municipality, KwaDukuza Local Municipality, iLembe District Municipality	Verbara
KwaZulu-Natal	23-Feb-18	DEM5676	Split Farm	Ndwedwe Local Municipality, KwaDukuza Local Municipality, iLembe District Municipality	Tiffany
KwaZulu-Natal	26-Feb-18	DEM5677	Split Farm	Ndwedwe Local Municipality, KwaDukuza Local Municipality, iLembe District Municipality	Spioenkop
KwaZulu-Natal	23-Jan-18	DEM5622	Split Farm	Mandeni Local Municipality, KwaDukuza Local Municipality, iLembe District Municipality	Farm17307
KwaZulu-Natal	23-Jan-18	DEM5635	Split Farm	KwaDukuza Local Municipality, Mandeni Local Municipality, iLembe District Municipality	Lower Tugela NU/Farm Magret
KwaZulu-Natal	23-Jan-18	DEM5674	Split Farm	Mandeni Local Municipality, KwaDukuza Local Municipality, iLembe District Municipality	Prospect
KwaZulu-Natal	24-Jan-18	DEM5616	Split Farm	uMngeni Local Municipality, uMshwathi Local Municipality, Umgungundlovu District Municipality	Farm16113
KwaZulu-Natal	24-Jan-18	DEM5607	Split Farm	uMshwathi Local Municipality, Mpofana Local Municipality, Umgungundlovu District Municipality	Craigie Burn Estate
KwaZulu-Natal	24-Jan-18	DEM5670	Split Farm	uMshwathi Local Municipality, uMngeni Local Municipality, Umgungundlovu District Municipality	Lions River AH/ Ezulwini
KwaZulu-Natal	24-Jan-18	DEM5671	Split Farm	uMshwathi Local Municipality, Ndwedwe Local Municipality, Umgungundlovu District Municipality, iLembe District Municipality	New Hanover
KwaZulu-Natal	24-Jan-18	DEM5649	Split Farm	uMngeni Local Municipality, Impendle Local Municipality, Mpofana Local Municipality, Umgungundlovu District Municipality	Lions River AH

Province	Date	MDB Ref	Misalignment Type	Affected Municipalities	Place Name
KwaZulu-Natal	25-Jan-18	DEM5615	Split Farm	Mpofana Local Municipality, uMngeni Local Municipality, Umgungundlovu District Municipality	Lions AH
KwaZulu-Natal	30-Jan-18	DEM5657	Split Farm	Jozini Local Municipality, Big Five Hlabisa Local Municipality, Umkhanyakude District Municipality	Versveld 16019
KwaZulu-Natal	30-Jan-18	DEM5627	Split Farm	Mtubatuba Local Municipality, Big Five Hlabisa Local Municipality, Umkhanyakude District Municipality	Kingsa-Tojan
KwaZulu-Natal	31-Jan-18	DEM5633	Split Farm	Mfolozi Local Municipality, uMhlathuze Local Municipality, Uthungulu District Municipality	Lot 308 Empangeni
KwaZulu-Natal	07-Feb-18	DEM5663	Split Farm	Umdoni Local Municipality, Umzumbe Local Municipality, Ugu District Municipality	Umzinto/NGIDI
KwaZulu-Natal	07-Feb-18	DEM5667	Split Farm	Umzumbe Local Municipality, Ubuhlebezwe Local Municipality, Ugu District Municipality, Harry Gwala District Municipality	Kagoleta/ LOT C E
KwaZulu-Natal	07-Feb-18	DEM5666	Split Farm	Umdoni Local Municipality, Umzumbe Local Municipality, Ugu District Municipality	Mbiyane/ ENGWENI NO 2
Limpopo	23-Feb-18	DEM5720	Split Traditional Area	Greater Letaba Local Municipality, Greater Giyani Local Municipality, Mopani District Municipality	Sekhula/ Mamatlepa
Mpumalanga	11-Feb-18	DEM5821	Split Settlement	Thaba Chweu Local Municipality, City of Mbombela Local Municipality, Ehlanzeni District Municipality	Brondal/ ROODEWAL 251
Mpumalanga	18-Feb-18	DEM5813	Split Settlement	Msukaligwa Local Municipality, Mkhondo Local Municipality, Gert Sibande District Municipality	Glen Eland/ Portion 10
Mpumalanga	24-Feb-18	DEM5800	Split Settlement	Nkomazi Local Municipality, City of Mbombela Local Municipality, Ehlanzeni District Municipality	Louws Creek 271
Mpumalanga	25-Feb-18	DEM5806	Split Settlement	Chief Albert Luthuli Local Municipality, Msukaligwa Local Municipality, Gert Sibande District Municipality	Vlakfontein
Mpumalanga	25-Jan-18	DEM5820	Split Farm	Lekwa Local Municipality, Dipaleseng Local Municipality, Gert Sibande District Municipality	Otterskuilen 629
North West	22-Jan-18	DEM6003	Split Farm	Mamusa Local Municipality, Tswaing Local Municipality, Dr Ruth Segomotsi Mompati District Municipality, Ngaka Modiri Molema District Municipality	Broodericks Valley 386

Province	Date	MDB Ref	Misalignment Type	Affected Municipalities	Place Name
North West	24-Jan-18	DEM6026	Split Farm	Tswaing Local Municipality, City of Matlosana Local Municipality, Ngaka Modiri Molema District Municipality, Dr Kenneth Kaunda District Municipality	Droogekraal 543
Northern Cape	30-Jan-18	DEM5910	Split Farm	!Kheis Local Municipality, Siyathemba Local Municipality, ZF Mgcawu District Municipality, Pixley ka Seme District Municipality	Farm 1
Northern Cape	30-Jan-18	DEM5902	Split Farm	Kai !Garib Local Municipality, !Kheis Local Municipality, ZF Mgcawu District Municipality	Liefdood
Northern Cape	01-Feb-18	DEM5900	Split Farm	Kai !Garib Local Municipality, Dawid Kruiper Local Municipality, ZF Mgcawu District Municipality	Farm Bloemfontein
Western Cape	06-Feb-18	DEM6309	Split Farm	Theewaterskloof Local Municipality, City of Cape Town Metropolitan Municipality, Overberg District Municipality	Bank Jonker
Western Cape	06-Feb-18	DEM6349	Split Farm	Theewaterskloof Local Municipality, Cape Agulhas Local Municipality, Overberg District Municipality	Caledon/ BOSCH RIVIER 609
Western Cape	07-Feb-18	DEM6315	Split Farm	City of Cape Town Metropolitan Municipality, Stellenbosch Local Municipality, Cape Winelands District Municipality	Helfor
Western Cape	07-Feb-18	DEM6313	Split Farm	Stellenbosch Local Municipality, City of Cape Town Metropolitan Municipality, Cape Winelands District Municipality	Haasendal
Western Cape	07-Feb-18	DEM6315	Split Farm	City of Cape Town Metropolitan Municipality, Stellenbosch Local Municipality, Cape Winelands District Municipality	Vredenburg 692/696
Western Cape	08-Feb-18	DEM6303	Split Farm	Swartland Local Municipality, Drakenstein Local Municipality, West Coast District Municipality, Cape Winelands District Municipality	Botter Kloof
Western Cape	08-Feb-18	DEM6350	Split Farm	Drakenstein Local Municipality, Stellenbosch Local Municipality, Cape Winelands District Municipality	Boschendal 1674

After considering inputs from the community and stakeholder consultations, the MDB resolved to proceed with the municipal boundary re-determination process by publishing its intention to consider re-determining municipal boundaries and invite members of the public to submit written views and representations (in terms of Section 26 of the MDA) for the cases outlined in the table below:

Cases published in terms of Section 26 of MDA

Province	Total Boundary Misalignments	Split Settlements	Cadastre Mis-alignments	Split Farms	Split Traditional Areas
Eastern Cape	7	0	6	0	1
Free State	10	2	6	2	0
Gauteng	5	4	0	1	0
KwaZulu-Natal	28	4	10	14	0
Limpopo	5	0	4	0	1
Mpumalanga	5	5	0	0	0
North West	9	0	7	2	0
Northern Cape	7	0	4	3	0
Western Cape	30	0	24	6	0
TOTAL	106	15	61	28	2

All cases, indicating newspaper publications of Section 26 notices

Province	DEM Number	Newspaper	Publication Date
Eastern Cape	DEM5028	Daily Dispatch	27 March 2018
Eastern Cape	DEM5028	Daily Sun	27 March 2018
Eastern Cape	DEM5031	Herald	27 March 2018
Eastern Cape	DEM5031	Daily Dispatch	27 March 2018
Eastern Cape	DEM5031	Volksblad	27 March 2018
Eastern Cape	DEM5031	Die Burger	27 March 2018
Eastern Cape	DEM5031	Queenstown Express	29 March 2018
Eastern Cape	DEM5032	Daily Dispatch	27 March 2018
Eastern Cape	DEM5032	Daily Sun	27 March 2018
Eastern Cape	DEM5113	Herald	27 March 2018
Eastern Cape	DEM5113	Daily Dispatch	27 March 2018
Eastern Cape	DEM5113	Queenstown Express	29 March 2018
Eastern Cape	DEM5158	Herald	27 March 2018
Eastern Cape	DEM5158	Daily Dispatch	27 March 2018
Eastern Cape	DEM5158	Volksblad	27 March 2018
Eastern Cape	DEM5158	Die Burger	27 March 2018
Eastern Cape	DEM5191	Herald	27 March 2018
Eastern Cape	DEM5191	Daily Dispatch	27 March 2018
Eastern Cape	DEM5191	Volksblad	27 March 2018
Eastern Cape	DEM5191	Daily Sun	27 March 2018
Eastern Cape	DEM5191	Die Burger	27 March 2018
Eastern Cape	DEM5192	Die Burger	27 March 2018
Eastern Cape	DEM5192	Herald	27 March 2018
Eastern Cape	DEM5192	Daily Dispatch	27 March 2018
Eastern Cape	DEM5192	Volksblad	27 March 2018

Province	DEM Number	Newspaper	Publication Date
Eastern Cape	DEM5192	Daily Sun	27 March 2018
Free State	DEM5300	Volksblad	27 March 2018
Free State	DEM5300	Daily Sun	27 March 2018
Free State	DEM5301	Volksblad	27 March 2018
Free State	DEM5301	Daily Sun	27 March 2018
Free State	DEM5302	Volksblad	27 March 2018
Free State	DEM5302	Daily Sun	27 March 2018
Free State	DEM5303	Volksblad	27 March 2018
Free State	DEM5303	Daily Sun	27 March 2018
Free State	DEM5304	Volksblad	27 March 2018
Free State	DEM5304	Daily Sun	27 March 2018
Free State	DEM5304	The Express	28 March 2018
Free State	DEM5305	Volksblad	27 March 2018
Free State	DEM5305	Daily Sun	27 March 2018
Free State	DEM5306	Volksblad	27 March 2018
Free State	DEM5306	Daily Sun	27 March 2018
Free State	DEM5307	Volksblad	27 March 2018
Free State	DEM5307	Daily Sun	27 March 2018
Free State	DEM5308	Volksblad	27 March 2018
Free State	DEM5308	Daily Sun	27 March 2018
Free State	DEM5308	The Express	28 March 2018
Free State	DEM5310	Volksblad	27 March 2018
Free State	DEM5310	Daily Sun	27 March 2018
Gauteng	DEM5400	The Star	27 March 2018
Gauteng	DEM5402	The Star	27 March 2018
Gauteng	DEM5402	Vanderbijlpark Ster	27 March 2018
Gauteng	DEM5422	Sowetan	27 March 2018
Gauteng	DEM5422	Daily Sun	27 March 2018
Gauteng	DEM5430	The Star	27 March 2018
Gauteng	DEM5430	Krugersdorp News	30 March 2018
Gauteng	DEM5430	Roodepoort Rekord	30 March 2018
Gauteng	DEM5436	The Star	27 March 2018
KwaZulu-Natal	DEM5601	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5601	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5603	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5603	Ladysmith Gazette	30 March 2018
KwaZulu-Natal	DEM5604	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5604	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5607	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5611	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5611	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5615	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5622	Isolezwe	27 March 2018

Province	DEM Number	Newspaper	Publication Date
KwaZulu-Natal	DEM5622	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5626	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5626	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5633	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5635	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5635	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5640	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5640	Escourt News	30 March 2018
KwaZulu-Natal	DEM5640	Eyethu Uthugela	30 March 2018
KwaZulu-Natal	DEM5640	Eyethu Umgungundlovu	30 March 2018
KwaZulu-Natal	DEM5647	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5649	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5657	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5657	Zululand Observer	30 March 2018
KwaZulu-Natal	DEM5658	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5660	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5660	Uthugela Yethu	30 March 2018
KwaZulu-Natal	DEM5662	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5662	Vryheid Newspaper	30 March 2018
KwaZulu-Natal	DEM5663	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5663	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5665	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5665	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5666	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5666	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5667	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5667	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5670	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5674	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5674	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5675	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5675	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5676	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5676	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5677	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5677	North Coast Courier	30 March 2018
KwaZulu-Natal	DEM5679	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5679	South Coast Fever	28 March 2018
KwaZulu-Natal	DEM5680	Isolezwe	27 March 2018
KwaZulu-Natal	DEM5680	South Coast Fever	28 March 2018
Limpopo	DEM5704	Daily Sun	27 March 2018
Limpopo	DEM5704	Sowetan	27 March 2018
Limpopo	DEM5704	Die Pos/The Post	29 March 2018

Province	DEM Number	Newspaper	Publication Date
Limpopo	DEM5720	Daily Sun	27 March 2018
Limpopo	DEM5720	Sowetan	27 March 2018
Limpopo	DEM5720	Letaba Herald	30 March 2018
Limpopo	DEM5734	Daily Sun	27 March 2018
Limpopo	DEM5734	Sowetan	27 March 2018
Limpopo	DEM5734	Phalaborwa Herald	30 March 2018
Limpopo	DEM5739	Daily Sun	27 March 2018
Limpopo	DEM5739	Sowetan	27 March 2018
Limpopo	DEM5739	Die Pos/The Post	29 March 2018
Limpopo	DEM5760	Daily Sun	27 March 2018
Limpopo	DEM5760	Sowetan	27 March 2018
Limpopo	DEM5760	Die Pos/The Post	29 March 2018
Mpumalanga	DEM5800	Daily Sun	27 March 2018
Mpumalanga	DEM5800	Lowvelder	30 March 2018
Mpumalanga	DEM5800	Mpumalanga News	30 March 2018
Mpumalanga	DEM5806	Daily Sun	27 March 2018
Mpumalanga	DEM5806	Lowvelder	30 March 2018
Mpumalanga	DEM5813	Daily Sun	27 March 2018
Mpumalanga	DEM5813	Highvelder	30 March 2018
Mpumalanga	DEM5820	Daily Sun	27 March 2018
Mpumalanga	DEM5820	Highvelder	30 March 2018
Mpumalanga	DEM5821	Daily Sun	27 March 2018
Mpumalanga	DEM5821	Lowvelder	30 March 2018
Mpumalanga	DEM5821	Mpumalanga News	30 March 2018
Northern Cape	DEM5900	Daily Sun	27 March 2018
Northern Cape	DEM5900	Gemsbok	30 March 2018
Northern Cape	DEM5902	Daily Sun	27 March 2018
Northern Cape	DEM5902	Gemsbok	30 March 2018
Northern Cape	DEM5903	Volksblad	27 March 2018
Northern Cape	DEM5903	Daily Sun	27 March 2018
Northern Cape	DEM5906	Volksblad	27 March 2018
Northern Cape	DEM5906	Daily Sun	27 March 2018
Northern Cape	DEM5908	Volksblad	27 March 2018
Northern Cape	DEM5908	Daily Sun	27 March 2018
Northern Cape	DEM5909	Volksblad	27 March 2018
Northern Cape	DEM5909	Daily Sun	27 March 2018
Northern Cape	DEM5910	Daily Sun	27 March 2018
Northern Cape	DEM5910	Gemsbok	30 March 2018
North West	DEM6001	Daily Sun	27 March 2018
North West	DEM6001	Stellalander	28 March 2018
North West	DEM6002	Daily Sun	27 March 2018
North West	DEM6002	Klerksdorp Record	30 March 2018
North West	DEM6002	Noordwester	30 March 2018

Province	DEM Number	Newspaper	Publication Date
North West	DEM6003	Daily Sun	27 March 2018
North West	DEM6003	Noordwester	30 March 2018
North West	DEM6011	Daily Sun	27 March 2018
North West	DEM6011	Klerksdorp Record	30 March 2018
North West	DEM6014	Daily Sun	27 March 2018
North West	DEM6025	Daily Sun	27 March 2018
North West	DEM6025	Rustenburg Herald	30 March 2018
North West	DEM6026	Daily Sun	27 March 2018
North West	DEM6026	Klerksdorp Record	30 March 2018
North West	DEM6026	Noordwester	30 March 2018
North West	DEM6027	Daily Sun	27 March 2018
North West	DEM6028	Daily Sun	27 March 2018
North West	DEM6028	Stellalander	28 March 2018
Western Cape	DEM6300	Theewaterskloof Gazette	27 March 2018
Western Cape	DEM6300	Die Burger	27 March 2018
Western Cape	DEM6300	Cape Times	27 March 2018
Western Cape	DEM6300	Eikestadnuus	29 March 2018
Western Cape	DEM6303	Die Burger	27 March 2018
Western Cape	DEM6303	Cape Times	27 March 2018
Western Cape	DEM6303	Eikestadnuus	29 March 2018
Western Cape	DEM6306	Die Burger	27 March 2018
Western Cape	DEM6306	Cape Times	27 March 2018
Western Cape	DEM6306	Eikestadnuus	29 March 2018
Western Cape	DEM6309	Die Burger	27 March 2018
Western Cape	DEM6309	Cape Times	27 March 2018
Western Cape	DEM6309	Eikestadnuus	29 March 2018
Western Cape	DEM6316	Die Burger	27 March 2018
Western Cape	DEM6316	Cape Times	27 March 2018
Western Cape	DEM6316	Eikestadnuus	29 March 2018
Western Cape	DEM6317	Die Burger	27 March 2018
Western Cape	DEM6317	Cape Times	27 March 2018
Western Cape	DEM6317	Eikestadnuus	29 March 2018
Western Cape	DEM6318	Die Burger	27 March 2018
Western Cape	DEM6318	Cape Times	27 March 2018
Western Cape	DEM6318	Eikestadnuus	29 March 2018
Western Cape	DEM6319	Die Burger	27 March 2018
Western Cape	DEM6319	Cape Times	27 March 2018
Western Cape	DEM6319	Eikestadnuus	29 March 2018
Western Cape	DEM6320	Die Burger	27 March 2018
Western Cape	DEM6320	Cape Times	27 March 2018
Western Cape	DEM6320	Eikestadnuus	29 March 2018
Western Cape	DEM6321	Die Burger	27 March 2018
Western Cape	DEM6321	Cape Times	27 March 2018

Province	DEM Number	Newspaper	Publication Date
Western Cape	DEM6321	Eikestadnuus	29 March 2018
Western Cape	DEM6322	Die Burger	27 March 2018
Western Cape	DEM6322	Cape Times	27 March 2018
Western Cape	DEM6322	Eikestadnuus	29 March 2018
Western Cape	DEM6323	Die Burger	27 March 2018
Western Cape	DEM6323	Cape Times	27 March 2018
Western Cape	DEM6323	Eikestadnuus	29 March 2018
Western Cape	DEM6324	Die Burger	27 March 2018
Western Cape	DEM6324	Cape Times	27 March 2018
Western Cape	DEM6324	Eikestadnuus	29 March 2018
Western Cape	DEM6325	Die Burger	27 March 2018
Western Cape	DEM6325	Cape Times	27 March 2018
Western Cape	DEM6325	Eikestadnuus	29 March 2018
Western Cape	DEM6329	Die Burger	27 March 2018
Western Cape	DEM6329	Cape Times	27 March 2018
Western Cape	DEM6329	Eikestadnuus	29 March 2018
Western Cape	DEM6331	Die Burger	27 March 2018
Western Cape	DEM6331	Cape Times	27 March 2018
Western Cape	DEM6331	Eikestadnuus	29 March 2018
Western Cape	DEM6333	Cape Times	27 March 2018
Western Cape	DEM6333	Die Burger	27 March 2018
Western Cape	DEM6333	Eikestadnuus	29 March 2018
Western Cape	DEM6334	Cape Times	27 March 2018
Western Cape	DEM6334	Die Burger	27 March 2018
Western Cape	DEM6334	Eikestadnuus	29 March 2018
Western Cape	DEM6335	Cape Times	27 March 2018
Western Cape	DEM6335	Die Burger	27 March 2018
Western Cape	DEM6335	Eikestadnuus	29 March 2018
Western Cape	DEM6336	Cape Times	27 March 2018
Western Cape	DEM6336	Die Burger	27 March 2018
Western Cape	DEM6336	Eikestadnuus	29 March 2018
Western Cape	DEM6337	Cape Times	27 March 2018
Western Cape	DEM6337	Die Burger	27 March 2018
Western Cape	DEM6337	Eikestadnuus	29 March 2018
Western Cape	DEM6338	Cape Times	27 March 2018
Western Cape	DEM6338	Die Burger	27 March 2018
Western Cape	DEM6338	Eikestadnuus	29 March 2018
Western Cape	DEM6339	Cape Times	27 March 2018
Western Cape	DEM6339	Die Burger	27 March 2018
Western Cape	DEM6339	Eikestadnuus	29 March 2018
Western Cape	DEM6340	Cape Times	27 March 2018
Western Cape	DEM6340	Die Burger	27 March 2018
Western Cape	DEM6340	Eikestadnuus	29 March 2018

Province	DEM Number	Newspaper	Publication Date
Western Cape	DEM6341	Cape Times	27 March 2018
Western Cape	DEM6341	Die Burger	27 March 2018
Western Cape	DEM6341	Eikestadnuus	29 March 2018
Western Cape	DEM6342	Cape Times	27 March 2018
Western Cape	DEM6342	Die Burger	27 March 2018
Western Cape	DEM6342	Eikestadnuus	29 March 2018
Western Cape	DEM6343	Cape Times	27 March 2018
Western Cape	DEM6343	Die Burger	27 March 2018
Western Cape	DEM6343	Eikestadnuus	29 March 2018
Western Cape	DEM6347	Theewaterskloof Gazette	27 March 2018
Western Cape	DEM6347	Cape Times	27 March 2018
Western Cape	DEM6347	Die Burger	27 March 2018
Western Cape	DEM6347	Eikestadnuus	29 March 2018
Western Cape	DEM6349	Theewaterskloof Gazette	27 March 2018
Western Cape	DEM6349	Cape Times	27 March 2018
Western Cape	DEM6349	Die Burger	27 March 2018
Western Cape	DEM6349	Eikestadnuus	29 March 2018
Western Cape	DEM6350	Theewaterskloof Gazette	27 March 2018
Western Cape	DEM6350	Cape Times	27 March 2018
Western Cape	DEM6350	Die Burger	27 March 2018
Western Cape	DEM6350	Eikestadnuus	29 March 2018

As highlighted in the table below, the process to follow the abovementioned Section 26 process, the MDB will, after consideration of views and representation received, proceed with the legal process which includes determination of municipal boundaries and publication for anyone aggrieved by the decision of the Board to submit objections in terms of Section 21 of the MDA.

Thereafter the MDB will consider all objections and make final decisions of the boundaries or conduct public meetings where necessary. As reflected in the table below, it is envisaged that the municipal boundary re-determination process will be concluded by July 2018 and that the MDB will handover final municipal boundaries to the IEC by August 2018.

Overall Municipal Boundary re-determination programme

Process	Date	Task	Progress
Consultation Process (Pre-legal Process)	April – July 2017	Consultation with MINMEC	Done
		Consult with Provinces	Done
		Consultation with other Primary Stakeholders (Chief Surveyor-General, IEC, Stats SA)	Done
	August 2017	Technical consultation with Municipalities	Done
	January – February 2018	Consultation with affected Communities	Done
Legal Process: Intention to consider proposals – Section 26 & 27 of MDA	March 2018	Publish intention to consider proposals and process submissions	Done
Legal Process: Publication for objections – Section 21 of MDA	June – July 2018	Publication of re-determination and consideration of objections	Impending
Legal Process: Confirm, vary or withdraw re-determination – Section 21(5) of MDA	July 2018	Confirm, vary or withdraw re-determination and final gazetting	Impending
Legal Process: Section 23 of MDA	August 2018	IEC and MECs gazette Section 23 notices.	Impending

2 RESEARCH AND KNOWLEDGE MANAGEMENT

The MDB has managed to convene two seminars in the 2017/18 financial year. The first seminar was held on 17 October 2017 in collaboration with the HSRC and SACN.

The objectives of the seminar were:

a. To share information and knowledge on categorisation of municipalities into category A municipalities.
b. To create networks for future research work on demarcations.
c. To reflect on the previous categorisation of municipalities and discuss any possible future policy and process improvements.

Deliberations at the seminar brought forth some fundamental outcomes as highlighted below:

a. The purpose and rationale of categorising metros should be clear and the criteria should also be transparent, meaningful and realistic.
b. It is critical to de-emphasise financial viability as the key factor in categorisation of metropolitan municipalities and rather to consider social viability and development of metros.
c. Planning for the future requires the need to manage the space well, thus, when determining the fiscal system for the country, the plan should be to support secondary cities in order to get them into the "League of Metros", because they have a particular role to play in the economy.
d. In order to strengthen the functions and capabilities of municipalities, there is a need to address dysfunctions among the three spheres of South African government. It was envisioned that the South African local government system can function effectively only if relations among the three spheres of governments are improved.
e. There is a need to re-define the terminology used in urban development space in South Africa because the ambiguity affects the categorisation process, e.g. metropolitan, secondary city, urban, rural, intermediate cities etc.

The second seminar, again in collaboration with the HSRC was held on 20 March 2018. Discussions at the seminar were aimed at providing lessons for the public and the MDB, on the difference between public participation and citizen engagement, because public participation has become one of the critical core functions of the MDB. The seminar also triggered constructive policy dialogue with respect to public participation. An exploratory study conducted by the HSRC on the drivers of violence and conflict over municipal boundaries in Vuwani, Limpopo Province was presented to lay a foundation for the discussions. The theme of the seminar was "Citizens' engagement and social cohesion".

As a growing democracy, public participation is an important subject in South Africa. The seminar had robust discussions and the following are some of the outcomes:

a. It was clear that intensive community engagement is needed so that all voices are heard and opinions are analysed. Before the MDB takes a final decision on the demarcation of municipal boundaries it must run a number of tests to satisfy itself that its decisions will not only be lawful but also unifying.
b. The MDB should consider socio-political, geographic and economic factors that define local sensitivities because re-determination of municipal boundaries is an emotive issue.
c. Sections 28 and 29 of MDA on the MDB public meeting and investigation processes should be amended, and through regulation, a more detailed adaptive community engagement process for public meetings should be established.
d. The MDB needs to consider conducting constructive investigations and studies on viability of demarcated municipalities before finalising its decisions on demarcations. The fiscal implications of boundary re-determination should be prioritised and established before any demarcation decision is pronounced. As such, the MDB should be afforded a larger budget for research to enable it to execute its mandate adequately. In its current form, the budget is inadequate.

The MDB is also finalising a report on the study on the revised methodology for the categorisation of category A municipalities.

The objectives of the study were:

a. For the MDB to gain a deeper understanding of challenges and experiences facing cities and metropolitan areas today, beyond the categorisation criteria.
b. Review criteria for categorisation of metropolitan municipalities as set out in section 2 of the MSA and develop proposals for legislative proposals and reform, taking lessons from international best practices.
c. Develop a coherent framework and model, including norms and standards, to better manage the categorisation of metropolitan municipalities.

3 PUBLIC PARTICIPATION, EDUCATION AND AWARENESS

The MDB is committed to advancing and strengthening public participation, education and awareness in all its demarcation processes. In this regard the MDB has developed a Public Participation and Stakeholder Engagement Framework. The framework is designed to provide a guideline for public participation. This builds on the commitment of the Board's strategy to deepen democracy and, above all, promoting the principle of inclusivity to foster trust between communities and the MDB and the broader quest for the promotion of participatory democracy.

This framework also seeks to promote a partnership approach among the MDB, citizens, government and other stakeholders within the sector. In other words, the MDB is aiming to move beyond a rhetoric of participation, to practical means of empowering citizens to take charge of their own development particularly in decisions that will have a great impact in their communities.

In collaboration with CoGTA, the MDB conducted a workshop on public participation on 12 July 2017. The workshop aimed at providing an opportunity for discussions on the guidelines for practical implementation of the public participation programme during demarcation processes, sharing of public participation knowledge and experience, discussing public participation and its implications on the work of the MDB and identifying other legislative provisions or laws that may affect the work of the MDB.

Among others, the outcomes of the workshop were as follows:

a. Schedule 2 of the MSA and sections of the MDA relating to public participation need to be reviewed to enhance public involvement in demarcation processes.
b. There is a need for CoGTA to develop regulations to guide public participation in demarcation.
c. There is an urgent need to develop norms and standards for public participation in the public service.
d. MDB to invest more financial and human resources on the public education, awareness and communication to ensure greater reach to society.
e. MDB should consider developing strategic partnerships with institutions with track record and expertise in citizen education awareness, and consultation, e.g. Independent Electoral Commission, Public Protector, South African Social Security Services etc. That is to leverage on already existing systems and infrastructure.
f. MDB to consider utilising varied means and ways of consultation and community consultations so as to cater for the varying needs of communities instead of one-size-fits-all approach. Some may favour mass meeting type of meetings, some more focused customised meetings e.g. business fora, religious leaders, youth, etc.
g. In view of the limited financial and human resources, the MDB should avoid tackling large number of re-determination cases at the same time as this compromises the quality of public engagement processes, resulting in some communities feeling neglected or ignored. Proper public participation requires a thorough and proper stakeholder profiling for each of the affected communities. Customised stakeholder engagement strategies would need to be developed. This cannot be achieved when the MDB is dealing with multiple communities in different places concurrently.
h. MDB to explore the use of technology as it could be useful to extensively enhance public education, consultation and participation, keeping in mind that not all citizens are technologically well resourced.
i. Transparency is a critical aspect that the MDB must embrace in all its activities. In this regard the MDB should seek to ensure that its intentions with regards to municipal and ward boundaries are widely communicated to stakeholders and the public. There must be consistent communication throughout the demarcation process.
j. It is observed that demarcation is often a very sensitive matter as evidenced in many parts of the country lately. In this regard, political leadership at all levels is critical. Community/public consultations are often political activities at national, provincial or local levels, therefore, it is incumbent upon political leaders in the affected areas to be in the forefront, especially those who are in government.
k. The education and awareness campaign should be a sustained and continuous process.
l. Ward delimitation consultations would require closer smaller localised (village, suburb or at least ward level) engagements with stakeholders. This should be considered for the future as the MDB develops its systems and processes.

In support of the technical municipal boundary re-determination process and in recognition of significance of public education and awareness, the MDB developed a booklet, which was distributed to all municipalities and members of the public during community consultative sessions. The booklet outlines in a logical and understandable way how the MDB determines municipal boundaries, the role of members of the public and how they can participate and the criteria for the determination process.

PART

C

PERFORMANCE INFORMATION

1 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of responsibility of performance information for the year ended 31 March 2018.

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

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

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the MDB for the financial year ended 31 March 2018.

The MDB's performance information for the year ended 31 March 2018 has been examined by the external auditors and their report is presented on page 71.

The performance information of the institution set out on page 37 to page 47 was approved by the Board.

Mr Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
Date: 31 May 2018

2 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 71 of the Report of the Auditor's Report, published as Part F: Financial Information.

3 OVERVIEW OF PERFORMANCE

3.1 Service Delivery environment

The Board in 2016/17 resolved to consider only identified technical municipal outer boundary determinations or re-determinations, stemming from its project that kicked off in the same year on the technical assessments of municipal boundaries. In 2017/18, the municipal outer boundary re-determination process started with pertinent stakeholder engagements followed by municipal and community consultations. The process will conclude in 2018/19 with the publication of Section 21(5) notices in terms of the MDA for the determination of municipal boundaries.

Due to poor response after a request for proposals for a service provider to conduct a preliminary study to identify sources of data before embarking on the assessment of municipal capacity, the Board adopted that this procurement process, be terminated. The process then moved onto a full-on capacity assessment with elements of the envisaged preliminary study included in the Terms of Reference. The Terms of Reference for municipal capacity assessments were finalised and procurement processes concluded. It is envisaged that the project will be completed by October 2018.

The MDB continued to build several strategic partnerships in pursuit of both research-related focus areas as well as creating partnerships to enhance public participation, education and awareness activities.

3.2 Organisational environment

During the year under review, the regionalisation model developed in 2016/17 could not be rolled out due to insufficient fiscal allocations. However efforts were intensified to ensure that existing internal resources are mobilised to ensure the achievement of the newly established programme for Public participation, education and awareness.

Communities affected by the re-determination of municipal boundaries were visited and consulted by the MDB before the commencement of the legal process. This was as a result of the financial resources added to our baseline which were ring-fenced for public consultation process and capacity assessment. This also paved the way for increased education and awareness activities on boundary re-determination processes. As a result thereof, radio campaigns, social media and localised communication efforts were utilised, to spread information on the municipal and community consultation sessions and publication of Section 26 notices.

At the beginning of the financial year, the organisational structure developed and implemented during 2016/17 was re-aligned to create a middle structure of management in an effort to facilitate progression of employees within the organisation. This was followed by an exercise to re-grade all non-managerial jobs. The Board is currently considering various options for implementation.

The MDB delivers on its mandate through three divisions, Core Operations, Finance and Corporate Services, the organizational structure comprises of 51 approved posts. The divisions are cumulative and solely responsible for the implementation of four performance programmes as outlined in point 4.

3.3 Key policy developments and legislative changes

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

3.4 Strategic Outcome Oriented Goals

Towards the end of the 2016/17 financial year, after its successful conference on spatial transformation, the Board embarked on an intensive strategic planning process. During which the following five Strategic Outcome Oriented Goals were formulated:

- Good Governance and sound financial management capability;
- Quality Demarcation Processes and Outcomes;
- Assessment of the Capacity of municipalities;
- Research and Knowledge management capability;
- Public participation and outreach initiatives.

The MDB fully achieved four of its strategic goals and objectives for 2017/18.

4 PERFORMANCE INFORMATION BY PROGRAMME

4.1 Programme 1: Administration

4.1.1 Purpose

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

4.1.2 Sub-programmes

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

Corporate Services will focus on the following:

- **Legal Services**

Provides legal services and advice to the MDB, which includes contract management, litigation, employment law, lease matters, legal advice and guidance, legal opinions and documentation preparation as well as drafting.

- **Board support**

Provides for the effective and efficient operation of the Board and its committees. Concerted efforts are made to ensure that the Board receives all information punctually to facilitate informed decision making in the performance of oversight responsibilities and fiduciary duties.

- **Human Resources**

The unit focuses on matters of organisational design and the entire human resources value chain, including human capital development, performance management and labour relations to ensure that the organisation remains competitive and is able to attract and retain talent that is necessary to drive implementation of the MDB's mandate. This will include re-alignment of posts on the organisational structure in support of the Strategic Objectives.

- **Administration**

Provides administrative support services in areas that include facilities and records management, occupational health and safety, as well as auxiliary services.

- **ICT Support**

ICT as an enabler will inform new ways of doing business, resulting in efficiencies, convenience, cost saving and improved outcomes. This sub-programme provides and maintains a sustainable and secure ICT services that support overall governance of the MDB. This will apply to internal operations e.g. electronic document management and cost efficiency, collaboration with stakeholders and the public, and generally enhance decision support. It will also reduce negative impact on the environment through a reduced use of paper.

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

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

- **Stakeholder management and communication**

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

Financial Management will focus on the following:

- **Financial Management**

Ensures existence of effective, efficient and transparent systems of financial management to deliver accurate financial information for timeous decision making.

- **Risk Management**

Existence of an effective risk management system that informs the strategic planning process and the internal audit plan. The unit further identifies the strategic risks and assessment thereof in terms of inherent and residual risk exposure.

- **Supply chain management**

Existence of an appropriate procurement system, which is fair, equitable, transparent, competitive and cost effective to prevent irregular, fruitless and wasteful expenditure.

- **Asset management**

Provides effective systems and processes to acquire, safeguard, maintain and dispose of assets. These includes tangible and intangible assets, such as information copyright.

- **Diversification of revenue streams**

Increase the baseline of parliamentary grants to adequately fund the mandate of the MDB. Other alternative income streams will be explored, including strategic partnerships and donor funding. The latter will be explored in a manner that does not compromise the independence of the MDB.

Key performance indicators, planned targets and actual achievements

Strategic Objective	Strengthen the corporate governance environment				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Quarterly reports on implementation of the resolutions of the Board submitted	N/A	Quarterly reports on implementation of resolutions of the Board submitted	Quarterly reports on implementation of resolutions of the Board submitted	No deviation	N/A
Produce a Board member's training report	N/A	Report on Board member's training submitted by end quarter 4	Report on Board member's training programme submitted by end quarter 4	No deviation	N/A
Quarterly reports submitted on monitoring and evaluation of compliance with relevant legislations	Quarterly monitoring and evaluation of compliance with relevant legislation conducted	Quarterly reports on the compliance with applicable legislation submitted to the Board	Quarterly reports on the compliance with applicable legislation submitted to the Board	No deviation	N/A
Number of positions on the approved structure re-graded	N/A	32 positions on the approved organizational structure re-graded	39 positions on the approved organizational structure re-graded	7 positions more than planned re-graded	Contract positions and new positions included in the re-grading process
Percentage of funded positions occupied as per approved organizational structure	84.4% occupancy rate of funded positions over the period	90% occupancy rate of funded positions over the period	94% occupancy rate of funded positions over the period	Occupancy rate of funded positions is 4% higher than the planned target	Continuous filling of vacancies
Percentage of performance agreements signed and assessments concluded	N/A	100% performance agreements signed and assessments concluded in line with the prescribed policy	100% performance agreements signed and assessments concluded in line with the prescribed policy	No deviation	N/A
Annual employment equity report submitted to Department of Labour	N/A	Annual employment equity report submitted as per legislated timeframe	Annual employment equity report submitted as per legislated timeframe	No deviation	N/A
Develop employee health and wellness programme	N/A	Develop employee health and wellness programme by end quarter 1	Employee health and wellness programme developed	No deviation	N/A

Strategic Objective	Strengthen the corporate governance environment				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Number of employee health and wellness initiatives conducted	N/A	2 employee health and wellness initiatives conducted over the period	3 employee health and wellness initiatives conducted	1 additional employee health and wellness initiative conducted	N/A
Develop and approve Occupational Health and Safety policy and implementation plan	N/A	Develop and approve Occupational Health and Safety policy and implementation plan	Occupational Health and Safety policy and implementation plan developed and approved	No deviation	N/A
Number of employee satisfaction surveys conducted	N/A	1 employee satisfaction survey conducted per annum	1 employee satisfaction survey conducted	No deviation	N/A
ICT Strategy implemented	N/A	Implementation of the approved ICT Strategy	Approved ICT Strategy implemented	No deviation	N/A
Number of electronic communication systems introduced	N/A	Two electronic communication systems introduced by end quarter 3	Two electronic communication systems introduced (Video conferencing and BoardPad)	No deviation	N/A
Number of media campaigns conducted	N/A	4 media campaigns conducted to raise public and stakeholder awareness of the technical municipal boundary alignments	4 media campaigns conducted to raise public and stakeholder awareness of the technical municipal boundary alignments	No deviation	N/A
Report on public perception survey	N/A	Conduct a public perception survey and produce a report	Public perception survey conducted and report produced	No deviation	N/A
Number of communicators work sessions conducted	N/A	2 communicators work sessions conducted over the period	2 communicators work sessions conducted	No deviation	N/A
Marketing and branding strategy developed and approved	N/A	Approved marketing and branding strategy	Marketing and branding strategy approved	No deviation	N/A

Strategic Objective	Manage and enhance financial capability				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Achieve clean audit	Unqualified audit opinion with findings on performance information and compliance with applicable legislation raised	Achieve Clean audit	Unqualified audit opinion	Clean Audit not achieved	Finding on compliance with legislation as detailed in the auditor's report.
Approved Strategic risk register	N/A	Annual approval of the Strategic risk register by end February 2018	Strategic risk register not approved by end February 2018	Strategic risk register not approved by end February 2018	Strategic risk register not tabled with the Board for approval by end February 2018.
Percentage of risk mitigating measures implemented	N/A	80% risk mitigating measures implemented for the period under review	90% mitigating measured have been implemented	Additional 10% of mitigating measures implemented	N/A
Review and implement Fraud prevention strategy and plan	N/A	Fraud prevention strategy and plan reviewed and implemented	Fraud prevention strategy and plan reviewed and implemented	No deviation	N/A
Quarterly SCM reports in line with SCM regulations	N/A	Quarterly SCM reports in line with SCM regulations.	Quarterly SCM reports in line with SCM regulations submitted	No deviation	N/A
Develop and implement Funding strategy	N/A	Funding strategy developed and implemented	Funding strategy developed and implemented	No deviation	N/A

Strategy to overcome areas of under performance

To achieve a clean audit, a post-audit action plan was developed and implemented during quarter 3 and 4 of the 2017/18 financial year to mitigate recurring findings. The Strategic risk register for 2018/19 was developed by the Board, however the register was not tabled at a Board meeting for approval before end February 2018, thus not approved. The Strategic risk register was approved by the Board at its meeting of 31 May 2018.

Changes to planned targets

The performance indicator "Produce and evaluate report on performance of the Board and its sub-committees" was removed from the Annual Performance Plan for 2017/18 as a performance evaluation of the Board and its sub-committees were completed during the 2016/17 financial year, and the results thereof considered and accepted by the Board. The Board resolved to conduct an evaluation of its performance biennially as supported by the King IV Code on Corporate Governance, practice no 73.

The Board further resolved that an independent training assessment be conducted and resultant the performance indicator, "Training programme for Board members developed and implemented" was amended to read "Produce a report on the training of Board members", the annual target amended to read "Report on Board member's training programme by end quarter 4".

4.2 Programme 2: Demarcations

4.2.1. Purpose

Provide demarcation services in line with the relevant legislation.

4.2.2. Sub-programmes

There are two sub-programmes namely boundary determination and re-determination as well as ward delimitation.

- **Boundary determination and re-determination**

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

- **Ward delimitation**

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

Key performance indicators, planned targets and actual achievements

Strategic Objective	Conduct determination and re-determination of municipal boundaries				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Number of consultation meetings on technical municipal boundary alignments with IEC, Chief Surveyor-General and Stats SA	N/A	3 consultation meetings on technical municipal boundary alignments with IEC, Chief Surveyor-General and Stats SA during quarter 1	3 consultation meetings on technical municipal boundary alignments held with IEC, Chief Surveyor-General and Stats SA during quarter 1	No deviation	N/A
Number of affected municipalities consulted on technical municipal boundary alignments	N/A	All affected municipalities consulted on technical municipal boundary alignments by end quarter 3	All affected municipalities were consulted on technical municipal boundary alignments by end quarter 3	No deviation	N/A

Strategic Objective	Conduct determination and re-determination of municipal boundaries				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Number of identified local communities consulted on technical municipal boundary alignments	N/A	All identified local communities consulted on technical municipal boundary alignments by end quarter 4	All identified local communities were consulted on technical municipal boundary alignments by end quarter 4	No deviation	N/A
Develop Framework for managing public inputs on municipal boundary re-determinations	N/A	Framework for managing public inputs on municipal boundary re-determinations developed	Framework for managing public inputs on municipal boundary re-determinations developed	No deviation	N/A
Number of legal notices published in terms of Section 26 of the MDA	N/A	18 legal notices published in terms of Section 26 of the MDA by end quarter 4	36 legal notices published in terms of Section 26 of the MDA by end quarter 4	An additional 18 legal notices published in terms of Section 26 of the MDA	Additional notices were published in local newspapers to enhance public awareness of the demarcation process.
Number of municipalities with spatial boundary descriptions finalised by end 2020.	N/A	85 municipalities with spatial boundary descriptions finalised for the year under review	85 municipalities with spatial boundary descriptions finalised for the year under review	The project concept document listed six attributes for finalization of a spatial boundary description. However, in execution of the project, two of the attributes, namely the DEM number and traditional areas affected, were deemed not applicable.	The DEM (boundary redetermination case) numbers were not included in the spatial boundary description as the only applicable DEMs are the ones that the MDB is in the process of re-determining and would only apply after publication of section 21(5) notices in the Government Gazette in July/August 2018. In the case of traditional areas, the dataset is disputed as most of the proclamations of traditional areas are not confirmed and will be subject to change. The Department of Traditional Affairs are in the process of correcting the dataset and confirming proclamations to identify the extent of traditional areas.

Strategic Objective	Delimit wards for all municipalities that qualify to have wards				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Develop and approve Policy and Standard Operating Procedures documents on ward delimitation process	N/A	Ward delimitation policy and Standard Operating Procedures updated and approved	Ward delimitation policy and Standard Operating Procedures updated and approved	No deviation	N/A

Changes to planned targets

At the start of the 2017/18 financial year and commencement of the municipal outer boundary re-determination process the Board approved a revised/alternative programme for the redetermination process. This necessitated an amendment to the annual target of the performance indicator "Number of legal notices published in terms of section 26 of the MDA" by moving the achievement of the annual target from quarter 2 to quarter 4. The amended annual target was changed to read "18 legal notices published in terms of Section 26 of the MDA by end quarter 4".

4.3 Programme 3: Research & Knowledge Management

4.3.1 Purpose

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

4.3.2 Sub-Programmes

There are two sub-programmes namely assessment of the capacity of municipalities and research and knowledge management.

- **Assessment of the capacity of municipalities**

Conduct capacity assessments of metropolitan, district and local municipalities to inform boundary determinations and to provide advice to MEC on the adjustment of powers and functions between district and local municipalities. A new approach adopted by MDB will ensure that the process considers not only the institutional factors but to a large extent the environmental factors such as natural endowments, economic infrastructure and other socio economic variables (e.g. demographics, education, income levels, etc.).

- **Research and knowledge management**

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

Key performance indicators, planned targets and actual achievements

Strategic Objective	Conduct assessment of municipal capacity				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Number of municipalities in which municipal capacity assessments were conducted	N/A	Conduct municipal capacity assessments for 81 municipalities for the year under review	Municipal capacity assessments for 81 municipalities not conducted	Municipal capacity assessments for 81 municipalities not conducted	The process has moved onto a full on capacity assessment with elements of the envisaged preliminary study included in the Terms of Reference. The TOR for municipal capacity assessments have been finalised and procurement processes were concluded during quarter 4.

Strategic Objective	Establish research and knowledge management capabilities				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Develop a Standard Operating Procedure to deliver advisory services	N/A	Standard Operating Procedures to deliver advisory services developed	Standard Operating Procedures to deliver advisory services developed	No deviation	N/A
Develop and implement Research strategy	N/A	Research strategy and implementation plan developed	Research strategy and implementation plan developed	No deviation	N/A
Number of internal review publications	N/A	4 internal review publications	4 internal review publications	No deviation	N/A
Number of peer-reviewed journal articles published	N/A	1 peer-reviewed journal article published	1 peer reviewed journal article not published	1 peer reviewed journal article not published	Identification of the Journal for publication as well as response(s) from the editors of the identified journal took longer than expected.
Number of active institutional collaboration agreements on research (MOUs)	N/A	5 active institutional collaboration agreements on research (MOU)	3 active institutional collaboration agreements on research established	2 active institutional collaboration agreements on research (MOU) outstanding.	A collaboration agreement with WITS was signed in April 2018 and a collaboration agreement with the University of Johannesburg (UJ) has been negotiated and concluded, but the agreement has not been signed by both parties yet.

Strategic Objective	Establish research and knowledge management capabilities				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Number of research seminars conducted	N/A	2 research seminars conducted	2 research seminars conducted	No deviation	N/A
Number of research studies located and archived	N/A	20 research studies located and archived	39 research studies located and archived	19 research studies more than planned located and archived	The scope of this project was expanded to also include all research studies from elsewhere on matters relevant to the work of the MDB.
Develop and implement Knowledge and information management strategy	N/A	Knowledge and information management strategy and implementation plan developed	Knowledge and information management strategy and implementation plan developed	No deviation	N/A
Develop and implement Geographical Information and database management strategy	N/A	Geographical information and database management strategy and implementation plan developed	Geographical information and database management strategy and implementation plan developed	No deviation	N/A
Develop and implement Mapping norms and standards	N/A	Mapping norms and standards developed and implemented by end quarter 2	Mapping norms and standards developed and implemented by end quarter 2	No deviation	N/A
Develop Municipal profile database	N/A	Municipal profile database developed	Municipal profile database developed	No deviation	N/A

Strategy to overcome areas of under performance

During the period under review, the Board adopted that the procurement process for a service provider to conduct a preliminary study to identify sources of data before the actual assessments, be terminated. The process moved onto a full-on capacity assessment with elements of the envisaged preliminary study included in the Terms of Reference. The Terms of Reference for municipal capacity assessments were finalised and procurement processes concluded during quarter 4. It is envisaged that the project will be completed by October 2018.

In addition to the collaboration agreements signed with North West University (NWU), Centre for Emerging Researchers, and SACN during the year under review, agreements with the University of the Witwatersrand (WITS) in April 2018 and with the University of Johannesburg (UJ) in May 2018.

4.4 Programme 4: Public Participation, Education and Awareness

4.1.1 Purpose

To deepen democracy through public participation and outreach initiatives.

4.1.2 Sub-programme

There are two sub-programmes, namely public education and awareness and public participation:

Public education and awareness

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

Public participation

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

Key performance indicators, planned targets and actual achievements

Strategic Objective	Promote public participation, education and awareness				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Framework for public participation in municipal boundary redetermination and ward delimitation approved	Framework for public participation in municipal boundary redetermination and ward delimitation developed	Framework for public participation in municipal boundary redetermination and ward delimitation approved by end quarter 2	Framework for public participation in municipal boundary redetermination and ward delimitation approved in July 2017	No deviation	N/A
Number of partnerships established to enhance public education and awareness	N/A	2 partnerships to enhance public education and awareness	2 partnerships established to enhance public education and awareness	No deviation	N/A
Number of demarcation process booklets distributed	N/A	266 demarcation process booklets distributed	276 demarcation process booklets distributed	10 more booklets distributed than planned	Additional booklets distributed
Number of activities to strengthen public and stakeholder awareness and education of demarcation processes	N/A	4 public and stakeholder education and awareness activities conducted on the municipal boundary determinations process	4 public and stakeholder education and awareness activities conducted on the municipal boundary determinations process	No deviation	N/A

Strategic Objective	Promote public participation, education and awareness				
Performance Indicator	**Actual achievements 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to Actual achievement for 2017/18**	**Comment on deviations**
Develop manual on methodology and processes for public participation	N/A	Manual on methodology and processes for public participation developed	Manual on methodology and processes for public participation developed	No deviation	N/A

Changes to planned targets

During the 2016/17 financial year a annual target of Framework for public participation in municipal boundary redetermination and ward delimitation developed was realised. However, in development of the 2017/18 Annual Performance Plan a Performance indicator of "Public Participation Strategy approved" was included. During quarter 1 of the 2017/18 reporting period this oversight was identified and the Board approved that this performance indicator be amended to "Framework on public participation in municipal boundary re-determination and ward delimitation approved." with accompanying annual target "Framework for public participation in municipal boundary re-determination and ward delimitation approved by end quarter 2."

5 SUMMARY OF FINANCIAL INFORMATION

5.1 Revenue Collection

Sources of revenue	2017/18			2016/17		
	Estimate	Actual collected	(Over)/Under collection	Estimate	Actual collected	(Over)/Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Grants and subsidies	57 631	57 631	0	58 220	58 220	0
Sale of goods	0	3	3	14	17	(3)
Interest received	500	807	307	500	717	(217)
Other Income	0	1 658	1 658	1 052	1 061	(9)
Total	**58 131**	**60 099**	**1 968**	**59 786**	**60 019**	**(233)**

5.2 Programme Expenditure

Programme	2017/18			2016/17		
	Budget	Actual expenditure	(Over)/Under expenditure	Budget	Actual expenditure	(Over)/Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	32 641	32 308	333	35 876	35 224	652
Programme 2: Demarcations	10 464	10 556	– (92)	10 679	10 005	674
Programme 3: Research and Knowledge Management	9 502	4 067	5 435	8 025	3 010	5 015
Programme 4: Public Participation, Education and Awareness	5 523	3 488	2 035	2 876	1 799	1 077
Total	**58 131**	**50 419**	**7 711**	**57 456**	**50 038**	**7 418**

mdb

mdb
VALUES
Independence
Fairness
Transparency
Integrity
Stakeholder Engagement
Knowledge Sharing

PART

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GOVERNANCE

1 INTRODUCTION

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

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

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

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

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

2 PORTFOLIO COMMITTEE

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

The MDB was invited and briefed the Portfolio Committee on Cooperative Governance and Traditional Affairs on two occasions during the year under review.

3 THE BOARD

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

Unlike boards of other institutions, the MDB board is seized with dual responsibilities which include the oversight role and executive role in boundary demarcations.

Board Charter

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

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

The Board Charter is aligned with the King IV Report and addresses specific matters regarding the board with regards to among others, the role of the board, meetings, committees of the Board, terms of reference of the committees of the Board and Code of Ethics.

Composition of the Board

The board assumed office on 20 February 2014, and will remain in office until 19 February 2019. During the year, one member, Ms Nompumelelo ZH Mpofu resigned.

Board membership and meetings attended:

Name	Designation	Date		Other Committees	Number of Board meetings attended
		Appointed	Resigned/ term ended		
Jane J Thupana	Board Chairperson	20 February 2014	-	Governance, Social & Ethics	7
Ashraf M Adam	Deputy Board Chairperson	20 February 2014	-	Governance, Social & Ethics	7
Isobel E Konyn	Board Member	20 February 2014	-	Audit and Risk Committee; Knowledge Management and ICT Committee.	7
Lebina D Tsotetsi	Board Member	20 February 2014	-	Human Capital Committee; Public Participation and Stakeholder Engagement Committee.	4
Nompumelelo ZH Mpofu	Board Member	20 February 2014	21 June 2017	Governance, Social & Ethics Committee; Knowledge Management and ICT Committee; Public Participation and Stakeholder Engagement Committee.	1
Simphiwe Dzengwa	Board Member	20 February 2014	-	Governance, Social & Ethics Committee; Audit and Risk Committee; Boundaries, Powers & Functions Committee.	6
Shivon D Wiggins	Board Member	20 February 2014	-	Governance, Social & Ethics Committee; Human Capital Committee; Boundaries, Powers & Functions Committee.	6
Maruping M Wildebees	Board Member	20 February 2014	-	Boundaries, Powers & Functions Committee; Knowledge Management and ICT Committee.	7
Mmatsie S Mooki	Board Member	20 February 2014	-	Governance, Social & Ethics Committee; Audit and Risk Committee; Public Participation and Stakeholder Engagement Committee.	5

Committees

Mr Ashraf M Adam replaced Ms Nompumelelo ZH Mpofu to beef up capacity in the Knowledge Management & ICT and Public Participation and Stakeholder Engagement Committees. Mr Maruping M Wildebees replaced Ms Mpofu as Chairperson of the Knowledge Management & ICT Committee.

Committee	No of meetings held	No of members	Name of members
Governance, Social & Ethics Committee *	5	6	Jane J Thupana Ashraf M Adam Maruping M Wildebees Simphiwe Dzengwa Shivon D Wiggins Mmatsie S Mooki
Human Capital Committee	6	3	Shivon D Wiggins (Chairperson) Lebina D Tsotetsi Ashraf M Adam
Audit & Risk Committee	6	4	Dawood Coovadia (Independent) Isobel E Konyn Simphiwe Dzengwa Mmatsie S Mooki
Boundaries, Powers & Functions Committee	6	3	Simphiwe Dzengwa (Chairperson) Shivon D Wiggins Maruping M Wildebees Ashraf M Adam
Knowledge Management & ICT Committee	4	3	Nompumelelo ZH Mpofu (Chairperson - until June 2017) Maruping M Wildebeesl (Chairperson) Isobel E Konyn Ashraf M Adam
Public Participation and Stakeholder Engagement Committee	5	3	Mmatsie S Mooki Lebina D Tsotetsi Nompumelelo ZH Mpofu Ashraf M Adam

* The Governance, Social & Ethics Committee comprises the Chairperson and Deputy Chairperson of the board and Chairpersons of all other Board Committees.

Board member attendance of public consultation meetings as part of Boundary re-determination process

Name	Province in which meeting was held	Number of meetings attended
Isobel E Konyn	KwaZulu-Natal	8
	Western Cape	1
Lebina D Tsotetsi	Free State	3
Simphiwe Dzengwa	Eastern Cape	5
Shivon D Wiggins	Mpumalanga	7
Maruping M Wildebees	Northern Cape	9
Mmatsie S Mooki	North West	6

Attendance of meetings

Name	Governance, Social & Ethics		Human Capital Committee		Audit & Risk Committee		Boundaries, Powers & Functions Committee		Knowledge Management & ICT		Public Participation and Stakeholder Engagement Committee	
	M	A	M	A	M	A	M	A	M	A	M	A
Jane J Thupana	5	5	-	-	-	-	-	-	-	-	-	-
Ashraf M Adam	5	5	6	6	-	-	-	-	4	1	5	2
Isobel E Konyn	-	-	-	-	6	6	-	-	4	4	-	-
Lebina D Tsotetsi	-	-	6	6	-	-	-	-	-	-	5	5
Nompumelelo ZH Mpofu	5	1	-	-	-	-	-	-	4	1	5	1
Simphiwe Dzengwa	5	3	-	-	6	6	6	6	-	-	-	-
Shivon D Wiggins	5	5	6	6	-	-	6	6	-	-	-	-
Maruping M Wildebees	5	4	-	-	-	-	6	6	4	4	-	-
Mmatsie S Mooki	5	5	-	-	6	5	-	-	-	-	5	5

Legend:

M = Meetings convened

A = Attendance

Remuneration of Board members

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

Name	Remuneration R'000	Other allowances R'000	Total R'000
Jane J Thupana	1 555	0	1 555
Ashraf M Adam	285	6	291
Isobel E Konyn	296	6	302
Lebina D Tsotetsi	157	6	163
Nompumelelo ZH Mpofu	22	2	24
Simphiwe Dzengwa	283	6	289
Shivon D Wiggins	304	6	310
Maruping M Wildebees	284	6	290
Mmatsie S Mooki	291	6	297

4 RISK MANAGEMENT

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

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

A formal risk assessment exercise is undertaken annually with a view to establishing risks that may prevent the MDB from achieving its goals and objectives. This process strives to identify the critical risks the entity may face to enable the MDB to formulate appropriate risk strategies and action plans to mitigate and address these risks where necessary. Quarterly risk assessments are performed.

5 INTERNAL CONTROL

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

The Auditor-General has considered our internal control systems as part of its audit and identified some deficiencies. All internal control systems do, however, have inherent shortcomings, including the possibility of human error and the evasion or flouting of control measures. Collusion by individuals may provide a challenge to any internal control system. Even the best internal control system may provide only partial assurance.

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

6 INTERNAL AUDIT AND AUDIT COMMITTEE

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

Name	Internal or external	If Internal, position in the public entity	Appointed	Resigned/ Term ended	Number of meetings attended
Dawood Coovadia	External	Independent	1 September 2014	-	6
Simphiwe Dzengwa	External	Board member	20 February 2014	-	6
Mmatsie S Mooki	External	Board member	20 February 2014	-	5
Isobel E Konyn	External	Board member	01 January 2017	-	6

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

7 COMPLIANCE WITH LAWS AND REGULATIONS

The following legislations are applicable:
Constitution of the Republic of South Africa, 1996
Local Government: Municipal Demarcation Act 27 of 1998
Local Government: Municipal Structures Act 117 of 1998
Local Government: Municipal Systems Act 32 of 2000
Generally Recognised Accounting Practice
Income Tax Act 58 of 1962
Value-Added Tax Act 89 of 1991
Public Finance Management Act 1 of1999, as amended
Treasury Regulations, March 2005, issued in terms of the PFMA
Preferential Procurement Policy Framework Act 5 of 2000
All practice notes on Supply Chain Management Act
Employment Equity Act 55 of 1998
Basic Conditions of Employment Act 75 of 1997
Labour Relations Act 88 of 1998
Promotion of Administrative Justice Act 1 of 2000
Promotion of Access to Information Act 2 of 2000

8 FRAUD AND CORRUPTION

The MDB irrevocably binds itself to combating all forms of fraud and corruption and to remaining proactive in the fight against fraud and other white-collar crime. During the year, the Fraud Prevention Policy and the Fraud Prevention Plan were reviewed and the Fraud Prevention Strategy was aligned to the National Anti-corruption Framework.

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

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

9 MINIMISING CONFLICT OF INTEREST

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

Furthermore, meeting procedures of the board provide for recusal of a member of the board or an employee if there is a perceived or actual conflict of interest. In addition, board members also complete the declaration of interest register in all board and committee meetings to declare conflict of interest.

10 CODE OF CONDUCT

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

11 COMPANY SECRETARY

The functions of the Company Secretary include support to the board in order to maximise its efficiency as well as to ensure that the board conducts its business according to good corporate governance and practice.

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

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2018.

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

1 AUDIT AND RISK COMMITTEE CHARTER

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

2 AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Committee met six times during the 2017/18 financial year, in line with the approved Audit and Risk Committee Charter, and it consists of the members listed below:

Member	Term of office	Number of meetings attended
Dawood Coovadia	Appointed 1 September 2014.	6
Simphiwe Dzengwa	Appointed 20 February 2014.	6
Mmatsie S Mooki	Appointed 20 February 2014.	5
Isobel E Konyn	Appointed 1 January 2017.	6

The effectiveness of the Audit and Risk Committee and its individual members is assessed on a biennial basis.

3 ROLE AND RESPONSIBILITIES

3.1. Statutory duties

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

Evaluation of Annual Financial Statements
The Audit and Risk Committee has:

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

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

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

The Committee, in consultation with the Accounting Officer, agreed to the engagement letter, terms, strategic audit plan and recommended the budgeted audit fees for the 2017/18 financial year to the Accounting Officer. The Committee confirms that there were no non-audit services provided by the external auditor for the period under review.

Effectiveness of internal controls

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

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

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

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

Whistleblowing

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

3.2. Duties assigned by the Board

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

Corporate Governance

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

Governance of risk

The Audit and Risk Committee fulfils an oversight role regarding risk management process within the institution. The Committee monitored the significant risks faced by institution, and it is satisfied that these risks were managed effectively. The institution implements a risk management strategy, which includes a fraud prevention plan.

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

The Audit and Risk Committee is satisfied that during the year, the content and quality of quarterly reports prepared and issued by management were proper and in compliance with the PFMA and NT frameworks.

Internal audit

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

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

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

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

On behalf of the Audit and Risk Committee:

Mr Dawood Coovadia
Chairperson: Audit And Risk Committee
Municipal Demarcation Board
31 July 2018

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Kamal Khadua

HUMAN RESOURCE MANAGEMENT

1 INTRODUCTION

Overview

- During the period in review the MDB had an organisational structure consisting of 50 approved posts with 44 filled posts and six vacant posts translating into a vacancy rate of 12%. As per the technical indicator description, a funded position that is occupied for nine months or more for the period under review will be considered as so. All vacant senior management positions were filled during the reporting period and the current below Senior Management Services vacant positions have been advertised and are in the process of being filled.
- Furthermore concerted efforts were done in the training and development of the staff members through the implementation of the Workplace Skills Plan (WSP) and awarding of study bursaries to employees. A total of 19 employees (42%) of the staff complement were trained in line with the WSP and 12 employees (27%) of the staff complement were offered bursaries to further their studies at various tertiary institutions.
- Several human resources policies were reviewed and approved by the Board and a process is currently underway to merge and align similar policies to reduce the number of policies on the MDB policy register and to ensure seamless future review of the policies.

HR priorities for the year under review

- During the period under review, a job evaluation was completed on the approved organisational structure and 39 positions were re-graded and report submitted to Board.
- Annual employment equity report was submitted to the Department of Labour as per legislated timeframes.
- The employee health and wellness programme was developed, approved and three employee health and wellness initiatives were conducted.
- One employee satisfaction survey was conducted.
- Performance management policy was developed and approved. A total of 100% performance agreements and assessments were signed and concluded in line with the prescribed policy.
- The remuneration strategy and HR plan were developed and approved.

Challenges faced by the institution:

The structure has limitations in terms of establishing a full-scale research capacity to conduct, among others, research work, municipal capacity assessments and establishing a regional footprint to enhance stakeholder engagement, public participation, education and awareness in demarcation processes that are key in the delivery of the MDB's mandate.

2 HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel cost by Programme

Programme	Total Expenditure for the entity R'000	Personnel Expenditure R'000	Personnel expenditure as a % of total expenditure	No of employees	Average personnel cost per employee R'000
Administration	32 308	15 651	46%	26	602
Demarcations	10 556	8 252	78%	13	350
Research and Knowledge Management	4 067	1 649	41%	3	535
Public Participation, Education and Awareness	3 488	1 055	31%	2	522
Total	**50 419**	**26 607**	**51%**	**44**	**605**

Personnel cost by salary band

Level	Personnel Expenditure R'000	% of personnel expenditure to total personnel cost	No of employees	Average personnel cost per employee R'000
Top management	5 489	21%	4	1,372
Senior management	6 071	23%	6	1,000
Professionally qualified	8 975	34%	15	589
Skilled	5 015	19%	15	322
Subtotal permanent employees	*25 532*	*96%*	*40*	*638*
Fixed-term Contract employees	1 075	4%	4	269
Subtotal contract employees	*1 075*	*4%*	*4*	*269*
Grand total	**26 607**	**100%**	**44**	**604**

Performance rewards

Level	Performance reward R'000	Personnel Expenditure R'000	% of performance reward to total personnel cost
Top management	0	5 489	0%
Senior management	0	6 071	0%
Professionally qualified	18	8 975	0.2%
Skilled	117	5 015	2.4%
Subtotal permanent employees	*135*	*25 532*	*0.5%*
Fixed-term Contract employees	0	1 075	0.0%
Subtotal contract employees	*0*	*1 075*	*0%*
Grand total	**135**	**26 607**	**0.5%**

Training costs

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of personnel cost	No of employees trained	Average training cost per employee R'000
Administration	15 651	82	0.5%	11	7
Demarcations	8 252	55	0.7%	6	9
Research and Knowledge Management	1 649	11	0.7%	1	11
Public Participation, Education and Awareness	1 055	6	0.6%	1	6
Total	**26 607**	**155**	**0.6%**	**19**	**34**

Employment and vacancies

Programme	2016/17 Number of employees	2017/18 Approved posts	2017/18 Number of employees	2017/18 Vacancies	% of vacancies
Administration	23	30	26	4	13%
Demarcations	13	15	13	2	13%
Research and Knowledge Management	2	3	3	0	0%
Public Participation, Education and Awareness	0	2	2	0	0%
Total	**38**	**50**	**44**	**6**	**12%**

Level	2016/17 Number of employees	2016/17 Approved posts	2017/18 Number of employees	2017/18 Vacancies	% of vacancies
Top management	4	4	4	0	0%
Senior management	4	6	6	0	0%
Professionally qualified	17	18	15	3	17%
Skilled	12	16	14	2	13%
Subtotal permanent employees	*37*	*44*	*39*	*5*	*11%*
Fixed term Contract employees	5	5	5	1	20%
Internship programme	1	1	0	0	0%
Subtotal contract employees	*6*	*0*	*4*	*1*	*25%*
Grand total	**43**	**50**	**44**	**6**	**12%**

The vacant positions have been advertised and the recruitment process is currently underway to fill the posts timeously, the recruitment for some of the positions has already been completed.

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	4	1	1	4
Senior management	4	2	0	6
Professionally qualified	17	0	2	15
Skilled	12	4	2	14
Subtotal permanent employees	*37*	*7*	*5*	*39*
Fixed-term Contract employees	5	1	1	5
Internship programme	1	0	1	0
Subtotal contract employees	*6*	*1*	*2*	*5*
Grand total	**43**	**8**	**7**	**44**

Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	1	2%
Resignation	5	11%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	0%
Other: Movement within the organisation	0	0%
Total	**7**	**13%**

In December 2017 valued colleague Mr Kamal Satishwar Khadua passed away after a short illness. One employee was on contract position, and the other three permanent posts were advertised. Recruitment processes are being finalised.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	3
Final written warning	1
Precautionary suspensions	0
Dismissal	0

Equity Target and Employment Equity Status

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior management	4	0	0	0	1	0	0	0
Professional qualified	8	0	0	0	0	0	1	0
Skilled	5	0	0	0	0	0	0	0
Total	**19**	**0**	**0**	**0**	**1**	**0**	**1**	**0**

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior management	1	0	0	0	0	0	0	0
Professional qualified	5	0	0	0	0	0	1	0
Skilled	11	0	1	0	1	0	1	0
Total	**19**	**0**	**1**	**0**	**1**	**0**	**2**	**0**

Level	Staff with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	0	0	0
Total	**0**	**0**	**0**	**1**

The target is to appoint one employee with disability to achieve representation in terms of disability.

PART

F

FINANCIAL INFORMATION

1 STATEMENT OF RESPONSIBILITY

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2018

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

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

In my opinion, the financial statements fairly reflect the operations of the constitutional entity for the financial year ended 31 March 2018.

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

The MDB's Annual Financial Statements for the year ended 31 March 2018 have been audited by the external auditors and their report is presented on page 71.

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

Ms Tintswalo Baadjie
Chief Financial Officer
Municipal Demarcation Board
Date: 31 July 2018

Mr Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
Date: 31 July 2018

2 REPORT OF THE CHIEF EXECUTIVE OFFICER

General review

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

Key strategic goals

The MDB adopted a new strategy for 2015/16 to 2019/20. In line with the strategy, the Board focused on the following key strategic goals during the 2017/18 financial year:

1. Good governance and sound financial management capability;
2. Quality Demarcation Processes and Outcomes;
3. Assessment of the Capacity of municipalities;
4. Research and Knowledge management capability;
5. Public participation and outreach initiatives.

General financial review

Total revenue for the year under review amounted to R60,099 million, compared to R60,019 million in 2016/17. The MDB's main source of revenue is the government grant, which is 99% of its total revenue.

Total expenditure for the year under review amounted to R50,419 million, compared to R49,742 million in 2016/17. This resulted in a surplus of R9,634 million, due mainly to the delay in the municipal capacity project that started in March 2018 and to public participation and awareness campaign radio advertisements that were done in April 2018. The project was due to be completed within the 2017/18 financial year. It is envisaged that the deliverables for this project will be available by September 2018.

Spending trends

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

	2014		2015		2016		2017		2018	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Income	**43 130**	**4%**	**45 172**	**5%**	**46 288**	**-5%**	**60 015**	**28%**	**60 099**	**-3%**
Voted Funds	42 182	4%	44 230	5%	45 793	4%	58 220	21%	57 631	-1%
Other Income	948	2%	942	-1%	495	2%	1 795	72%	2 468	27%
Expenditure	**44 712**	**30%**	**52 424**	**17%**	**64 737**	**30%**	**49 750**	**11%**	**50 475**	**-1%**
Board members Remuneration	2 433	-7%	2 670	9%	3 182	16%	4 224	24%	3 759	-12%
Salaries	17 991	38%	20 082	10%	20 877	4%	21 199	2%	26 607	20%
Project Expenses	3 759	15%	2 620	-43%	3 526	27%	3 138	-12%	4 047	22%
Lease payment	2 311	-	3 662	37%	3 830	4%	3 674	- 4%	3 724	1%
Publications	2 806	29%	296	-109%	13 072	98%	83	-156%	405	80%
Audit	923	13%	1 075	14%	1 342	20%	1 560	14%	3 017	48%
Travel Cost	3 538	29%	4 451	21%	3 134	-42%	1 193	-163%	2 155	45%
Other operating expenses	10 951	49%	17 628	38%	15 744	-12%	14 679	-7%	6 751	-174%
Surplus/deficit for the period	**(1 582)**		**(7 252)**		**(18 449)**		**10 269**		**9 634**	

Capacity constraints and challenges

The MDB experienced financial limitations since inception, which has impeded the Board's ability to immediately normalise its current establishment towards the ideal structure for regionalisation strategy. Notwithstanding a limited budget allocation, the MDB continues to experience capacity constraints and remains critically dependent on its key staff. Not only is suitable research expertise difficult to retain, but the specialist technical skill required is difficult to recruit. The MDB remains under-capacitated and therefore needs to recruit a significant number of research and GIS experienced personnel. The MDB is unable to recruit these resources due to financial constraints.

New activities

The MDB's future plans are included in the revised Strategic Plan for the fiscal years 2017 to 2021 and APP for 2018/19 which are aligned with government priorities.

Request for rollover of funds

The retention of the R8,720 million surplus funds from the 2017/18 financial year was done in terms of Section 53 (3) of the PFMA, 1999, to fund committed projects that could not be completed and were carried over to the 2018/19 financial year.

The Board has commitments to ensure:

i. Adequate public and stakeholder engagement for the ongoing technical municipal boundary re-determination process; and
ii. Municipal Capacity Assessment is conducted.

Audit report matters in the previous year

Supply Chain Management (SCM)

Concluded unsolicited bid proposal for the year under review

None

SCM processes and systems in place

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

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

Challenges experienced and resolved

The MDB incurred irregular expenditure of R17,040 million, discovered in the current financial year, which is disclosed in note 32 of the Annual Financial Statements. The main expenditure relates to the procurement of the building which was found to have contravened the Preferential Procurement Policy Framework Act. The fruitless and wasteful expenditure identified in 2016/17 of R19 000 was written off, and is disclosed in note 31 to the Annual Financial Statements.

	Matters raised by the Auditor-General in 2016/17	Management action implemented	Status
1.	Inconsistencies between planned target as per APP and reported target as per In-year reports and APR	Implemented adequate controls over the reporting of the performance information	Resolved
2.	Inconsistencies between reported target as per APP and reported achievement as per APP	Implemented adequate controls over the reporting of the performance information	Resolved
3.	Interest not declared	Under investigation	Resolved
4.	Competitive bidding not followed	Internal control monitoring systems to have been implemented to ensure compliance with applicable laws and regulations	Resolved
5.	Procurement processes not followed	Internal control monitoring systems to have been implemented to ensure compliance with applicable laws and regulations	Resolved
6.	Local content - office furniture	Internal control monitoring systems to have been implemented to ensure compliance with applicable laws and regulations	Resolved

Plans for the future to address financial challenges

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

Events after the reporting date

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

Economic viability

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

Acknowledgements

Generosity and oversight support of the Board members has enabled the MDB to achieve its mandate for the determination of municipal boundaries. I would also like to thank all the staff members who contributed to the success of the MDB. The interest, contribution and support of all staff members, who, despite a demanding work schedule and competing priorities, have consistently acted in the best interest of the Board, is highly appreciated. Finally, I wish to express our appreciation to our stakeholders and particularly to local government, which we serve and which continues to contribute so generously in supporting the MDB.

Mr Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board
31 July 2018

3 REPORT OF THE EXTERNAL AUDITOR

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Municipal Demarcation Board set out on pages 76 to 101, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Demarcation Board as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the constitutional institution in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting officer for the financial statements

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

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

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the constitutional

institution. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the constitutional institution for the year ended 31 March 2018.

Programmes	Pages in annual report
Programme 2 – demarcations	41 – 43
Programme 3 – research and knowledge management	43 – 45
Programme 4 – public participation, education and awareness	46 – 47

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2 – demarcations
- Programme 3 – research and knowledge management
- Programme 4 – public participation, education and awareness

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 37 to 47 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 demarcations and programme 3 research and knowledge management. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the constitutional institution with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance report and annual report

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1) (a) of the PFMA.
21. Material misstatements of accumulated surplus, current liability, revenue and expenditure identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R17 040 000 as disclosed in note 32 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by award that was made to a supplier that did not score the highest points.

Procurement and contract management

23. Bid documentation for the procurement of commodities designated for local content and production did not meet the stipulated minimum threshold for local

production and content, as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

24. A contract was awarded to a bidder that did not score the highest points in the evaluation process, as required by section 2(1) (f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

OTHER INFORMATION

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

30. The leadership of the constitutional institution did not exercise adequate oversight responsibility regarding the financial statements and compliance with laws and regulations as well as related internal controls.

Financial and performance management

31. Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information and did not adequately review and monitor compliance with applicable laws and regulations.

OTHER REPORTS

32. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the constitutional institution's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

33. An independent consultant investigated an allegation of possible irregularities in the procurement of office accommodation at the request of the constitutional institution, which covers the lease period of 1 May 2014 to 30 April 2019. The investigation concluded on 21 April 2017 and resulted in criminal proceedings against one ex-employee. These proceedings were in progress at the date of this auditor's report.

34. An independent consultant investigated an allegation of possible irregularities in the appointment of an event management company at the request of the constitutional institution, which occurred during the period of 1 April 2016 to 31 March 2017. The investigation was concluded on 31 June 2018 but the findings had not been tabled at a Board meeting at the date of this auditor's report.

Auditor-General

Pretoria
31 July 2018

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

- dentify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the constitutional institution's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipal Demarcation Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a constitutional institution to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

KNOWLEDGE HUB
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municipal demarcation board

PART

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ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note(s)	2018 R '000	2017 R '000
Assets			
Current Assets			
Inventories	3	207	200
Receivables from exchange transactions	4	306	29
Receivables from non-exchange transactions	10	122	109
Cash and cash equivalents	5	20 003	9 464
		20 638	**9 802**
Non-Current Assets			
Property, plant and equipment	6	3 306	4 140
Intangible assets	7	725	902
Warranties	9	22	15
		4 053	**5 057**
Total Assets		**24 691**	**14 859**
Liabilities			
Current Liabilities			
Operating lease liability	8	501	170
Payables from exchange transactions	11	3 574	3 842
Payables from non-exchange transactions	13	500	-
Provisions	12	398	-
		4 973	**4 012**
Non-Current Liabilities			
Operating lease liability	8	145	646
Total Liabilities		**5 118**	**4 658**
Net Assets		**19 573**	**10 201**
Accumulated surplus / (deficit)		19 573	10 201

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2018 R'000	2017 R'000
Revenue			
Revenue from exchange transactions			
Sale of goods		3	17
Interest received - investment	22	807	717
Total revenue from exchange transactions		**810**	**734**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	15	57 631	58 220
Other non-exchange revenue		1 658	1 065
Total revenue from non-exchange transactions		**59 289**	**59 285**
Total revenue	16	**60 099**	**60 019**
Expenditure			
Administrative Costs	20	(17 084)	(20 453)
Depreciation and amortisation	18	(2 000)	(1 608)
Employee Costs	17	(26 607)	(21 199)
Other operating expenses	19	(4 728)	(6 482)
Total expenditure		**(50 419)**	**(49 742)**
Gain / (Loss) on disposal of assets	21	(46)	(8)
Surplus / (Deficit) for the period		**9 634**	**10 269**

STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	2018 R '000	2017 R '000
Balance at 01 April 2016		**(58)**	**(58)**
Correction of prior year error		(10)	(10)
Net income (losses) recognised directly in net assets		(68)	(68)
Surplus / (Deficit) for the year		10 269	10 269
Total recognised income and expenses for the year		10 201	10 201
Total changes		**10 201**	**10 201**
Correction of errors	28	(262)	(262)
Balance		**9 939**	**9 939**
Surplus / (Deficit) for the year		9 634	9 634
Total changes		9 634	9 634
Balance at 31 March 2018		**19 573**	**19 573**

CASH FLOW STATEMENT

	Note(s)	2018 R '000	2017 R '000
Cash flows from operating activities			
Receipts			
Government Grant Received		57 631	59 281
Interest received		693	707
Conditional Grant Received		500	-
Revenue Recovered		1 639	-
Other cash receipts		11	-
		60 474	**59 988**
Payments			
Cash paid to employees and suppliers		(48 874)	(48 537)
Net cash flows from operating activities	23	**11 600**	**11 451**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(905)	(1 815)
Proceeds from sale of property, plant and equipment	6	76	35
Purchase of intangible assets	7	(207)	(368)
Purchase of warranties		(25)	(13)
Net cash flows from investing activities		**(1 061)**	**(2 161)**
Net increase / (decrease) in cash and cash equivalents		**10 539**	**9 290**
Cash and cash equivalents at the beginning of the period		9 464	174
Cash and cash equivalents at the end of the period	5	**20 003**	**9 464**

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

1.1 Presentation currency

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

1.2 Prior-year errors

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

i) Restating the comparative amounts for the prior year(s) presented in which the error occurred; or

ii) If the error occurred before the earliest prior year presented, restating the opening balances of assets, liabilities and accumulated surplus for the prior year presented.

1.3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Significant judgements include:

Impairment testing

The MDB reviews and tests the carrying value of Non-Cash Generating Assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of recoverable services amount for each group of assets.

Useful lives of property, plant and equipment and intangible assets

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

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable

of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.
When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 - 15 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	3 - 9 years
Leasehold improvements	Straight line	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Expenditure on research phase of an internal project is recognised as an expense when it is incurred.

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

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

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

Item	Useful life
Computer software	3 - 9 years
Warranties	1-5 years

Intangible assets are derecognised:

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

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

1.6 Related parties

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

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

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

1.7 Going Concern

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

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

1.8 Financial instruments

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

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

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

A financial asset is:

- cash and cash equivalents;

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

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

Classification

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

Classification depends on the purpose for which the financial instrument were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated at fair value.

Initial recognition and measurement

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

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Receivables from exchange transactions

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

Payables from exchange transactions

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

Cash and cash equivalents

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

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

Impairment and uncollectibility of financial assets

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

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date the impairment is reversed shall not exceed what

the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Derecognition

Financial assets

The MDB derecognises financial assets using trade date accounting.

The MDB derecognises a financial asset only when:

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

Financial liabilities

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

1.9 Leases

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

1.11 Employee benefits

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

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

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

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

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

1.13 Revenue from exchange transactions

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

Measurement

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

Sale of goods

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

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

Interest

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

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

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

1.14 Revenue from non-exchange transactions

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

Recognition

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

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

Measurement

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

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

1.15 Comparative figures

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

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

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

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

2 NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related Parties	01 April 2019	Not expected to impact but may result additional disclosure
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
GRAP 17: Service Concession Arrangements where a Grantor Controls Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
GRAP 21: Impairment of Non-Cash Generating Assets	01 April 2018	Unlikely there will be a material impact
GRAP 26: Impairment of Cash-Generating Assets	01 April 2018	Unlikely there will be a material impact
GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
IGRAP 18: Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
IGRAP 19: Liabilities to pay Levies	01 April 2019	Unlikely there will be a material impact

	2018 R '000	2017 R '000
3. Inventories		
Stationery	**207**	**200**
The inventories consumption consists of consumables and are expensed through stationery and consumables.		
Inventories reconciliation		
Opening balance	200	191
Additions	131	279
Consumption	(124)	(270)
	207	**200**
4. Receivables from exchange transactions		
Staff advances	11	2
Interest income accrued	113	27
Prepaid expenses	182	-
	306	**29**
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3	1
Bank balances	58	890
Short-term deposits	19 942	8 573
	20 003	**9 464**

6. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 028	(1 267)	761	2 067	(1 127)	940
Motor vehicles	656	(388)	268	656	(328)	328
Office equipment	675	(584)	91	976	(831)	145
IT equipment	2 248	(756)	1 492	2 604	(1 054)	1 550
Leasehold improvements	2 558	(1 864)	694	2 504	(1 327)	1 177
Total	**8 165**	**(4 859)**	**3 306**	**8 807**	**(4 667)**	**4 140**

Reconciliation of property, plant and equipment - 2018

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

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 011	142	(9)	(204)	940
Motor vehicles	150	245	(37)	(30)	328
Office equipment	213	25	(2)	(91)	145
IT equipment	591	1 403	(10)	(434)	1 550
Leasehold improvements	1 699	-	-	(522)	1 177
	3 664	**1 815**	**(58)**	**(1 281)**	**4 140**

Repairs and Maintenance

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

7. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 802	(1 077)	725	1 837	(935)	902

Reconciliation of intangible assets - 2018

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

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	878	368	(18)	(326)	902

	2018 R '000	2017 R '000
8. Operating lease Liability (accrual)		
Non-current liabilities	145	646
Current liabilities	501	170
	646	**816**

9. Warranties

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

10. Receivables from non-exchange transactions

SARS-SDL	18	-
Staff Debtors	104	109
	122	**109**

11. Payables from exchange transactions

Trade payables	2 041	2 237
Leave Accrual	1 533	1 544
Other payables - Salary Control	-	60
	3 574	**3 841**

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

	2018 R '000	2017 R '000

12. Provisions

Provisions comprises of:

Provision for Performance Bonus	398	-

Provision

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

13. Payables from non-exchange transactions

Government Grant	500	-

This government grant represents a once-off amount that was received from the Gauteng Department of Cooperative Governance and Traditional Affairs for the municipal capacity assessment project.

14. Financial instruments

Categories of financial instruments

2018
Financial assets

	At amortised cost	Total
Receivables from exchange transactions	131	131
Cash and cash equivalents	20 003	20 003
	20 134	**20 134**

2018
Financial Liabilities

	At amortised cost	Total
Payables from exchange transactions	2 041	2 041
Conditional Government Grant from Gauteng CoGTA	500	500
	2 541	**2 541**

2017
Financial assets

	At amortised cost	Total
Receivables from exchange transactions	29	29
Cash and cash equivalents	9 464	9 464
	9 493	**9 493**

2017
Financial Liabilities

	At amortised cost	Total
Payables from exchange transactions	3 841	2 237

	2018 R '000	2017 R '000
15. Government grants		
National Department of Cooperative Governance and Traditional Affairs	57 631	58 220
16. Revenue		
Sale of goods - Maps	3	17
Interest received	807	717
Government grants	57 631	58 220
Other non-exchange revenue	1 658	1 065
	60 099	**60 019**

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

Sale of goods - Maps	3	17
Interest received and other Income	807	717
	810	**734**

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

Transfer revenue

Government grants and subsidies	57 631	58 220
Other non-exchange revenue	1 658	1 065
	59 289	**59 285**

	2018 R '000	2017 R '000
17. Employee benefit costs		
Basic	17 752	14 753
Bonus	534	196
Insurance cover	609	395
Leave expenses	-	73
Leave payments	343	152
Other Non-pensionable allowance	6 919	5 154
Other salary-related costs	92	39
Overtime payments	77	86
SDL	-	204
Travel, motor car, accommodation, subsistence and other allowances	198	77
UIF	83	70
	26 607	**21 199**

Employee cost detail

Members allowance previously classified under employee cost relating to the Chairperson of the board has been reclassified under Administrative expenses. The effect in the prior year is a decrease in employee cost of R1 469 and an increase of Administrative expenses of R1 469

18. Depreciation and amortisation		
Computer software	366	326
Furniture and fixtures	210	203
Computer equipment	763	434
Leasehold improvements	537	523
Motor vehicles	59	30
Office equipment	65	91
	2 000	**1 607**

19. Other Operating Expenses		
Consumables	41	9
Courier and delivery charges	54	51
Data acquisitions	-	686
Licence renewal	655	840
Rental of building	3 724	3 674

	2018 R '000	2017 R '000
Repairs and maintenance	155	139
Travel and accommodation	99	1 083
	4 728	**6 482**

20. Administrative Costs

Advertising	62	263
External Audit Fees	755	1 560
Internal Audit Fees	816	294
Bank charges	29	27
Conferences and venues	46	1 174
Employee Assistance Programme	46	3
Insurance	248	233
Legal fees	419	4 608
Members Allowance	3 759	4 224
Other expenses	1 891	1 760
Printing & Photocopying	412	293
Project related cost	4 047	3 138
Publications notices and gazettes	405	83
Recruitment Costs	71	280
Security services	885	854
Other consulting	2 660	1 092
Stationery	121	224
Telephone and fax	109	259
Training - Employees	303	81
Workshops & seminars	-	3
	17 084	**20 453**

Members allowance previously classified under employee cost relating to the Chairperson of the board has been reclassified under Administrative expenses. The effect in the prior year is a decrease in employee cost of R1 469 and an increase of Administrative expenses of R1 469.

	2018 R '000	2017 R '000
21 Gain/(Loss) on disposal of assets		
Insurance Proceeds	76	34
Loss on Disposal of Assets (PPE)	(104)	(16)
Loss on Disposal of Assets (Intangibles Assets)	(18)	-
	(46)	**18**

22. Interest received

Interest received		
Bank	807	717

23 Gain/(Loss) on disposal of assets

Surplus/(Deficit)	9 634	10 269
Adjustments for:		
Depreciation and amortisation	2 000	1 608
Gain/(Loss) on sale of assets	46	(18)
Movements in operating lease assets and accruals	(157)	63
Changes in working capital:		
Inventories	(7)	(9)
Receivables from exchange transactions	(277)	(29)
Other receivables from non-exchange transactions	(13)	(109)
Payables from exchange transactions	476	(324)
Provisions	398	-
Payable from non exchange transactions	(500)	-
	11 600	**11 451**

24. Commitments

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

	2018 R '000	2017 R '000
24.1 Operating leases - the Board as lessee		
Minimum lease payments due		
- within one year	3 705	3 372
- in second to fifth year inclusive	945	4 650
	4 650	**8 022**

The Board leases its office premises from a commercial property service provider for a period of 5 years, effective from 1 July 2014 and terminates on 30 June 2019. Lease payments escalate by 8.90% annually and payable monthly in advance. The lease agreement is renewable for a further period by mutual agreement. There is no option to purchase at the end of the lease term. Upon termination of the lease any improvements made to the premises by the entity shall belong to the lessor. No contingent rent is payable. The cost of the lease is straight-lined over the period of the lease.

24.2 Other commitments

Approved and contracted: Other Operational Expenditure	14 714	4 806

25 Related parties

Relationships	
Non-Executive Members	Refer to note 26
Members of key management	Refer to note 26
Other entities in the public sphere	National Department of Cooperative Governance and Traditional Affairs
	Gauteng Department of Cooperative Governance and Traditional Affairs
	Government Printing Works

Related party transactions

Government Grants Received		
National Department of Cooperative Governance and Traditional Affairs	57 631	58 220
Operating expenses paid to related parties		
Government Printing Works	-	27
Other non-exchange revenue		
National Department of Cooperative Governance and Traditional Affairs	-	1 000
Gauteng Department of Cooperative Governance and Traditional Affairs	500	-

26. Emoluments

Executive members
2018

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

Executive members
2017

	Emoluments	Other benefits*	Total
Mr M Sigidi (CEO) (Appointed February 2017)	298	-	298
Mr O Nkoane (Resigned July 2016)	832	-	832
Mr A Ramagadza (COO)	1 097	-	1 097
Mr N Patel (CFO)	1 326	-	1 326
Adv T Mekuto (EMCS)	738	145	883
	4 291	**145**	**4 436**

*Other benefits comprise acting allowance.

Non-Executive members
2018

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

Non-Executive members
2017

	Members' fees	Other fees	Total
Ms MJJ Thupana (Chairperson)	1 469	-	1 469
Mr AM Adam (Deputy Chairperson)	335	6	341
Mr LD Tsotetsi	267	6	273
Prof IE Konyn	289	6	295
Mr MM Wildebees	269	6	275
Mr S Dzengwa	393	6	399
Ms SD Wiggins	345	6	351
Ms NZH Mpofu	241	6	247
Ms MM Mooki	283	6	289
Mr D Coovadia (Chairperson: Audit and Risk Committee)	285	-	285
	4 176	**48**	**4 224**

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

The Chairperson is employed full time and runs an office at the MDB, it is with this regard that her fees are significantly larger than the other Non-Executive members.

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

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

27. Change in estimates

Property, plant and equipment

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

	2018 R '000	2017 R '000
Depreciation: PPE		
According to initial estimated useful life	(9)	(81)
According to re-estimated useful life	(93)	(77)
	(102)	**(158)**

28. Prior period errors

Operating Lease expenditure/liability incorrectly included operating costs.

Debt owed by the Non-Executive Director was not recognised in the prior year

	2018 R '000	2017 R '000
Statement of Financial Position		
Receivables from non-exchange transactions	-	109
Operating Lease Liability	-	168
Statement of Financial Performance		
Operating Lease Expenditure	-	168
Admin Costs	-	113
Other non-exchange revenue	-	(4)

29. Risk management

Financial risk management

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

Liquidity risk

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

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

2018	Carrying amount	Due within 1 year	Due between 1 and 5 years
Payables from exchange transactions	2 041	2 041	-

2017	Carrying amount	Due within 1 year	Due between 1 and 5 years
Payables from exchange transactions	2 237	2 237	-

Interest rate risk

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

30. Events after the reporting date

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

	2018 R '000	2017 R '000
31. Fruitless and wasteful expenditure		
Opening balance	19	-
Add: Fruitless and wasteful expenditure	1	19
Amount written-off	(19)	-
Amount recovered	(1)	-
	-	**19**

Current year - Fruitless and Wasteful expenditure relates to interest incurred on the late payment of the provident fund. The full amount was recovered from officials, no other disciplinary steps or criminal proceedings were taken.

	2018 R '000	2017 R '000
32. Irregular expenditure		
Opening balance	3 210	66
Add: Irregular Expenditure - current year	5 273	3 192
Add: Irregular Expenditure - relating to prior year	11 767	-
Less: Amounts condoned	-	(48)
	20 250	**3 210**

Details of irregular expenditure – current year

Description	Action taken	Amount
Invitations for competitive bids for the procurement of one contract with a value of R1 800 000 was not advertised for the required minimum number of days, expenditure during the current financial year on this contract is R745 866.19.	No disciplinary steps/ Criminal proceedings were taken	746
One service with the value of R299 820 was procured without an approved deviation from the relevant unit, this resulted in non-compliance.	The probation of affected individual was not approved to be permanent	300
One service with the value of R32 100 was procured without stipulating that the supplier should complete the SBD 6.2, this resulted in non-compliance	No disciplinary steps/ criminal proceedings were taken	32
One service with a value of R145 309 was procured despite the supplier not being tax compliant and without a proper determination of lowest price.	No disciplinary steps/ criminal proceedings were taken	145
Irregular expenditure to the value of R15 817, for both the current and prior year has been detected	A forensic investigation was conducted and concluded	15 817
		17 040

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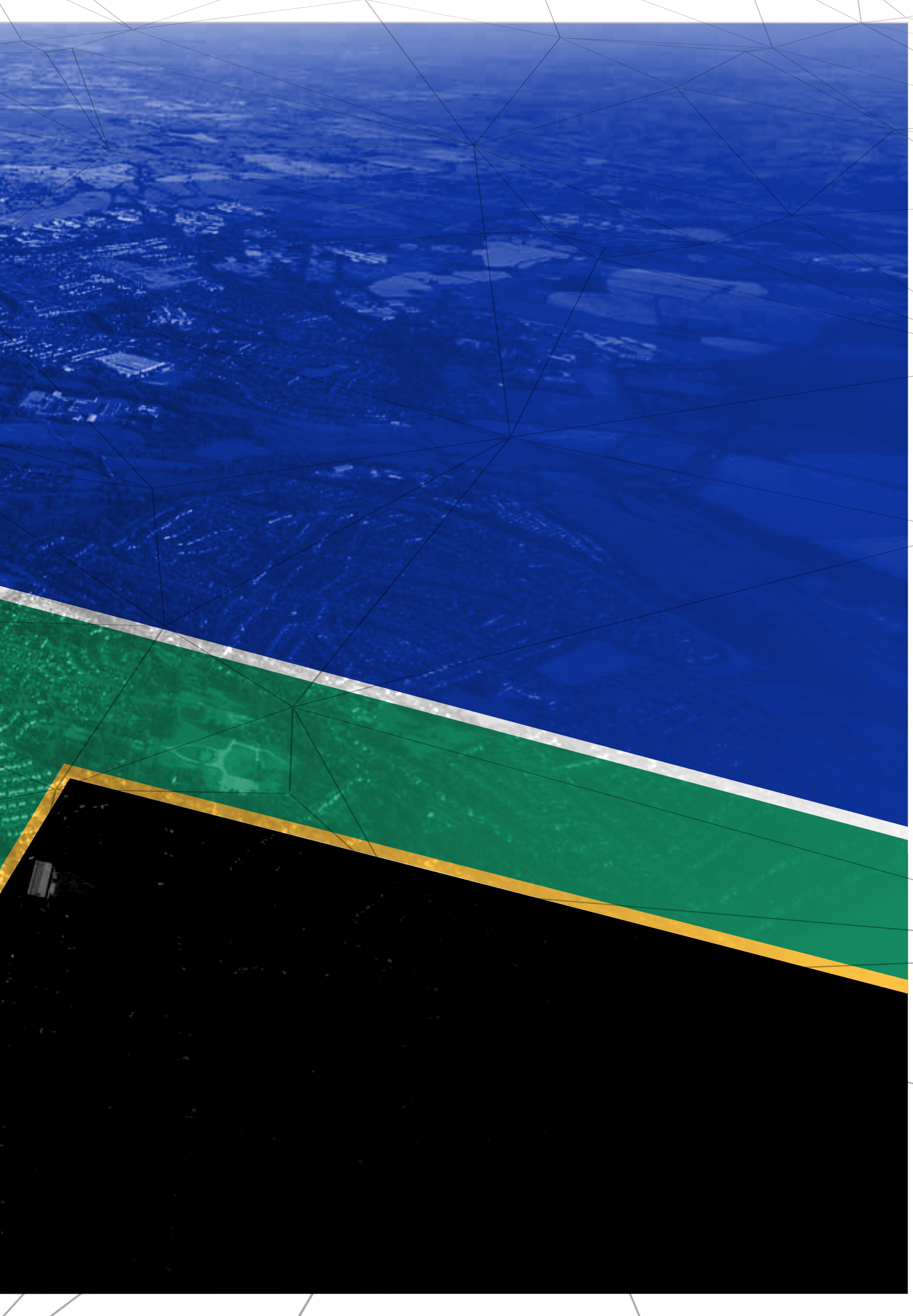

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