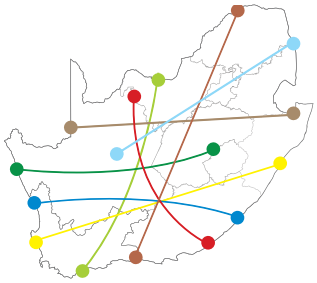


municipal demarcation board

ANNUAL REPORT 2020/21

TABLE OF CONTENTS

PART A GENERAL INFORMATION....4

1. ADMINISTRATION AND CORPORATE INFORMATION....5
2. LIST OF ABBREVIATIONS/ACRONYMS....3
3. FOREWORD BY THE CHAIRPERSON....6
4. CHIEF EXECUTIVE OFFICER'S OVERVIEW....8
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT....11
6. STRATEGIC OVERVIEW....12
7. LEGISLATIVE AND OTHER MANDATES....12
8. ORGANISATIONAL STRUCTURE....13

PART B ACHIEVEMENT HIGHLIGHTS....16

1. WARD DELIMITATION FOR THE 2021 LOCAL GOVERNMENT ELECTIONS....17
2. STAKEHOLDER ENGAGEMENT AND COMMUNICATION....20
3. RESEARCH AND KNOWLEDGE MANAGEMENT....23

PART C PERFORMANCE INFORMATION....28

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES....29
2. SITUATIONAL ANALYSIS....29
3. PERFORMANCE INFORMATION BY PROGRAMME....31
4. REVENUE COLLECTION....40

PART D GOVERNANCE....42

1. INTRODUCTION....43
2. PORTFOLIO COMMITTEE....43
3. THE BOARD....44
4. RISK MANAGEMENT....48
5. INTERNAL CONTROL....48
6. INTERNAL AUDIT AND AUDIT, RISK AND ICT COMMITTEE....49
7. COMPLIANCE WITH LAWS AND REGULATIONS....49
8. FRAUD AND CORRUPTION....50
9. MINIMISING CONFLICT OF INTEREST....50
10. CODE OF CONDUCT....50
11. COMPANY SECRETARY....50
12. AUDIT, RISK AND ICT COMMITTEE REPORT....51
13. B-BBEE COMPLIANCE PERFORMANCE INFORMATION....53

PART E HUMAN RESOURCE MANAGEMENT....54

1. INTRODUCTION....55
2. HUMAN RESOURCES OVERSIGHT STATISTICS....55

PART F FINANCIAL INFORMATION....60

1. REPORT OF THE EXTERNAL AUDITOR....61
2. ANNUAL FINANCIAL STATEMENTS....66

PART A GENERAL INFORMATION

1 ADMINISTRATION AND CORPORATE INFORMATION

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

The 2020/21 MDB Annual Report is also available on www.demarcation.org.za

2 LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
Board	The Board established in terms of Section 2 of the Municipal Demarcation Act and composed of members appointed by the President of the Republic of South Africa
CDW	Community Development Worker
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
DPSA	Department of Public Service and Administration
ERP	Enterprise Resource Planning
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
IEC	Independent Electoral Commission
ICT	Information and communications technology
IGR	Inter-Governmental Relations
MDA	Municipal Demarcation Act 27 of 1998
MDB	Municipal Demarcation Board (the organisation)
MEC	Member of the Executive Council
MINMEC	Ministers and Members of Executive Council
MSA	Municipal Structures Act 117 of 1998
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NT	National Treasury
PFMA	Public Finance Management Act 1 of 1999
SALGA	South African Local Government Association
SCM	Supply Chain Management

3 FOREWORD BY CHAIRPERSON

This 2020/21 Annual Report is a reflection on milestones the Municipal Demarcation Board (MDB) has set out to achieve for the financial year under review. The report comes at a time when the MDB, like other entities, experienced unprecedented challenges in 2020 but still managed to proceed with its business and made substantial inroads in its strategic programme and performance.

During this period, the institution drew from existing partnerships with key stakeholders and found effective and efficient ways to respond to challenges brought by COVID-19. Continuous knowledge sharing, and problem-solving engagements were initiated with key partners and stakeholders such as the Portfolio Committee on COGTA; Portfolio Committee on Home Affairs; Department of Cooperative Governance and Traditional Affairs (CoGTA); Independent Electoral Commission (IEC); Provincial departments responsible for Local Government; South African Local Government Association (SALGA); Houses of Traditional Leaders; Law Enforcement Agencies; all Municipalities and communities. A thorough crisis communication plan was developed internally to assist the institution to adapt to new challenges and, while, advancing the programme of deepening democracy through public awareness, education and participation.

In the face of widespread challenges caused by COVID-19, the performance of the organisation continued unabated and this is evidenced in the achievement of an unqualified audit opinion with no findings from the Auditor General (AG) for the 2018/19, 2019/20 and 2020/21 financial years. Spatial boundary descriptions were completed for a significant number of municipalities thereby contributing towards improving the accuracy and credibility of MDB's spatial boundary datasets. Furthermore, a total of eight reports were completed on minimum norms and standards required for the capacity of municipalities to perform its powers and functions.

As indicated in the 2019/20 Annual Report, it was reported that MDB commenced public consultations in Mpumalanga, KwaZulu-Natal, Eastern Cape, Western Cape and Gauteng. However, public consultations in the remaining provinces (i.e. Limpopo, Free State, Northern Cape and North West) were suspended due to the outbreak of COVID-19 and the consequent Declaration of the State of National Disaster in March 2020. At the time, only 109 out of the total of 213 municipalities had been consulted. Following the disruption of the municipal ward delimitation process, new measures were put in place, such as the use of virtual mechanisms and social media platforms, to continuously engage communities, municipalities and other stakeholders outside traditional forms of engagements.

Working together with the IEC, the MDB agreed to delay the ward delimitation programme by a period of three months to allow adjustments to be made where necessary. Final wards were successfully concluded in November and were officially handed over to the IEC in December 2020.

The conclusion of the ward delimitation for the 2019/20 period did not go unchallenged. Some displeasures and objections were registered with the MDB after the publication of final wards in the affected municipalities. These municipalities are Mohokare, Metsimaholo, Sakhisizwe, Engcobo, Raymond Mhlaba, Inxuba Yethemba, Amahlathi, King Sabata Dalindyebo, Ndwedwe,

Msinga and Buffalo City. To assist in ensuring minimal disruptions in the local government elections in the affected areas, the MDB engaged the affected communities, through formal communication and meetings to give clarity on matters raised.

It is important that all stakeholders, including the affected communities, are assured of the unwavering commitment by the MDB to continuously engage with them to enhance their understanding of demarcation processes. The MDB is intentional in its drive to deepen democracy through spatial transformation and looks forward to improved relations and active public participation for its processes going forward.

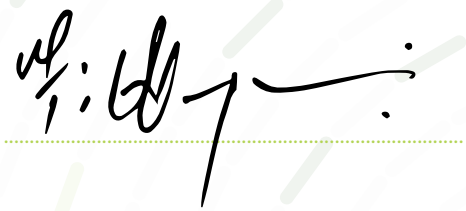
With the re-determination of municipal boundaries last undertaken in 2018, MDB will commence the process again after the next local government elections in November 2021. All applications for the re-demarcation and re-categorisation of municipalities will be prioritised post 2021 local government elections. However, the re-determination of municipalities will, in the next round, consider emerging concerns regarding the viability and funding model for local municipalities. This arises from recent engagements on the viability of amalgamated municipalities between Parliament, municipalities and Local Government Stakeholders. The MDB strongly believes that matters of institutional make up, financial viability and sustainability impede municipalities from fulfilling their constitutional obligations. In this respect, the MDB will continuously cooperate and engage with all relevant stakeholders in finding workable solutions to problems facing municipalities.

In conclusion, I take this opportunity to extend my gratitude to all MDB Board members, Management and all staff members, who found themselves at the forefront of challenges presented by the COVID-19 outbreak, risked their lives and relentlessly demonstrated a sense of determination to continue with the work of the MDB during this difficult period. There are lessons learnt from the experience of working during COVID-19 lockdown. It turned out to be a real litmus test for our collective knowledge, skills, capabilities and transitioning from face to face engagement to virtual consultation with our stakeholders and the public.

Finally, I would like to thank key partners such as the Portfolio Committee on CoGTA, CoGTA, IEC, SALGA, National Treasury (NT) for their continued collaboration, partnership and support during this period.

Thabo Manyoni
Chairperson
Municipal Demarcation Board

30 JULY 2021



4 CHIEF EXECUTIVE OFFICER'S OVERVIEW

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

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

This Annual Report provides a detailed account of the MDB's performance against its Strategic Plan, Annual Performance Plan (APP) and expenditure on its budget. During the period under review, the MDB achieved all its set targets. Amongst others, finalising wards for all municipalities and handing over these wards to the IEC to prepare for the local government elections. This milestone was achieved despite challenges caused by the COVID-19 pandemic and the continued financial constraints.

General financial review

Revenue for the year under review amounted to R63,680 million compared to R65,330 million in the 2019/20 financial year. The MDB's main source of revenue is the government grant, which is 99% of its total revenue. The remainder is interest income generated from a positive bank balance.

Total expenditure for the year under review amounted to R63,682 million, compared to R56,464 million in 2019/20. The negative variance of R2 million between revenue and expenditure is mainly due to the costs for publication of notices and gazettes for the ward delimitation process whose funds were set aside in the 2019/20 financial year but the expenditure was budgeted for and incurred in the 2020/21 financial year.

R63,680
MILLION
ANNUAL REVENUE

MDB finalised wards for all municipalities

Finalising and handing over final wards to the IEC to prepare for the local government elections.

This milestone was achieved despite challenges caused by the COVID-19 pandemic and the continued financial constraints.

Spending trends

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

	2017		2018		2019		2020		2021	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
Income	**60 015**	**28%**	**60 099**	**-3%**	**56 997**	**-5%**	**65 330**	**12%**	**63 680**	**-3%**
Voted funds	58 220	21%	57 631	-1%	55 568	-4%	64 268	14%	63 017	-2%
Other income	1 795	72%	2 468	27%	1 928	-28%	1 062	-82%	663	-38%
Expenditure	**49 750**	**11%**	**50 475**	**-1%**	**60 463**	**17%**	**56 708**	**-7%**	**63 682**	**12%**
Board members Remuneration	4 224	24%	3 759	-12%	3 781	1%	4 809	21%	4 865	1%
Salaries	21 199	2%	26 607	20%	28 341	6%	32 367	12%	36 091	12%
Project expenses	3 138	-12%	4 047	22%	4 355	7%	-	-	-	-
Lease payment	3 674	-4%	3 724	1%	3 965	6%	3 571	-11%	3 257	-9%
Publications	83	-156%	405	80%	449	10%	482	7%	6 673	1284%
Audit	1 560	14%	3 017	48%	2 291	-32%	2 103	-9%	2 567	22%
Travel cost	1 193	-163%	2 155	45%	1 969	-9%	3 70	42%	367	-1%
Other operating expenses	14 679	-7%	6 751	-117%	15 299	56%	10 006	-53%	9 862	1%
Surplus/deficit for the period	**10 269**		**9 634**		**(2 967)**		**8 622**		**(2)**	

Capacity constraints and challenges

The MDB has experienced financial limitations for the Medium-Term Expenditure Framework (MTEF) and this has hindered the institution's need to establish the ideal structure for the implementation of the regionalisation strategy. Given its limited budget allocation, the MDB continues to experience capacity constraints and is dependent on its skeletal 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 in the area of research, geographic information systems (GIS) and Information and Communication Technology (ICT). The financial constraints exacerbated by the contracted growth in the economy has impacted on the MDB's ability to recruit personnel with the relevant expertise.

Poor understanding of MDB's mandate, processes, functions and legal responsibilities by MDB stakeholders including members of the public continues to be a challenge. This affects the nature, quality and level of participation in MDB processes.

Discontinued key activities/activities to be discontinued

Despite the challenges, there were no key activities discontinued as per plan. The MDB achieved all its deliverables as per its 2020/21 APP.

New activities

The MDB's future plans are included in the revised Strategic Plan for 2020 to 2025 and the APP for 2021/22. These activities are aligned with government priorities as outlined in the Medium-Term Strategic Framework (MTSF).

Request for retention of surplus

Request for the retention of surplus for the year under review has been made in terms of Section 53(3) of the Public Finance Management Act 1 of 1999, as amended (PFMA).

Supply chain management (SCM)

Concluded unsolicited bid proposal for the year under review

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

SCM processes and systems

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

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

Challenges experienced and resolved

No non-compliance with legislation that resulted in irregular expenditure was identified during the year. A legal challenge has been lodged with the High Court by a service provider. This will put a strain on MDB financial resources. A request has been submitted to CoGTA for assistance to fund the litigation, however COGTA declined the request citing its own financial constraints.

Audit report matters in the previous year

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

Plans to address financial challenges

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

Plans to address financial challenges

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

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

Events after the reporting date

The MDB has no events to disclose after the date of approval of the Annual Financial Statements (AFS).

Economic viability

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

Acknowledgements

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

Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board

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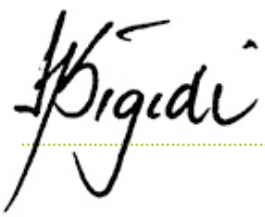
31 MAY 2021



5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:
All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General of South Africa (AGSA).

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

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

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

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

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

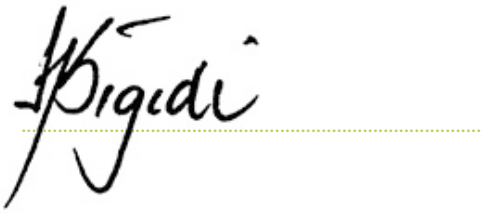
The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Regards

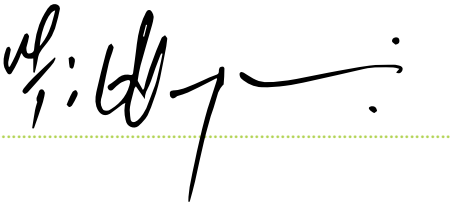
Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board

30 JULY 2021



Thabo Manyoni
Chairperson
Municipal Demarcation Board

30 JULY 2021



6 STRATEGIC OVERVIEW

Vision

Spatially transformed, just and sustainable communities.

Mission

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

Values

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

7 LEGISLATIVE AND OTHER MANDATES

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

The Constitution of the Republic of South Africa, 1996

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

Local Government: Municipal Demarcation Act 27 of 1998

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

Local Government: Municipal Structures Act 117 of 1998

- The Board is mandated to delimit wards in compliance with Schedule 1 of the Act.
- In terms of Section 85, the Board must consider the capacity of district and local municipalities to perform their function and to exercise their powers, and provide advice to Members of the Executive Council (MECs) responsible for local government.

Cabinet resolutions

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

Policy mandates

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

Court rulings

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

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

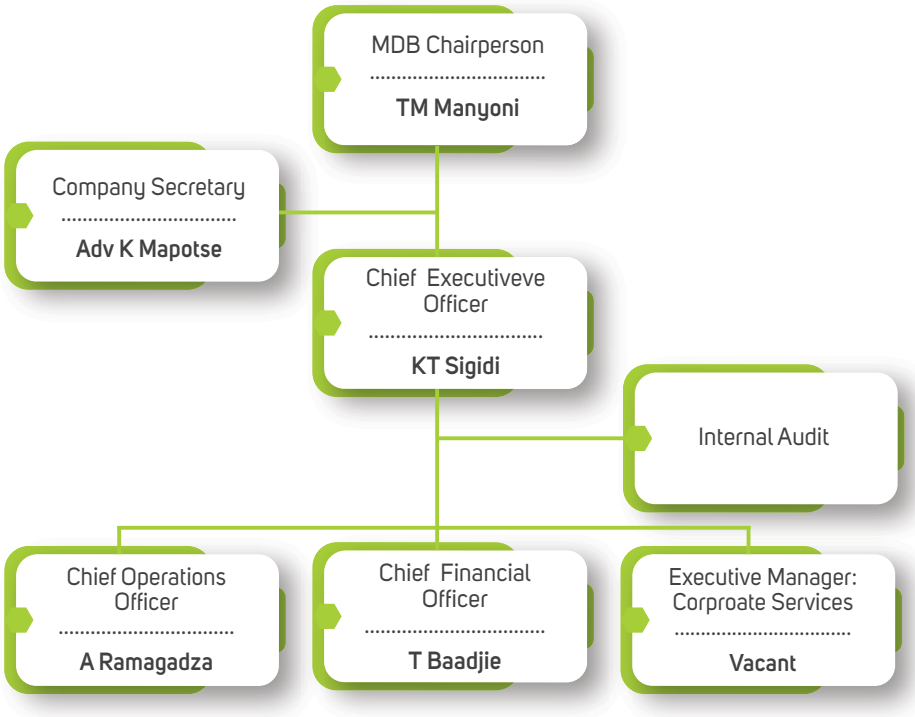
The following legislation and regulations are applicable:

- Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Demarcation Act 27 of 1998 (MDA)
- Local Government: Municipal Structures Act 117 of 1998 (MSA)
- Local Government: Municipal Systems Act 32 of 2000
- Generally Recognised Accounting Practice (GRAP)
- Income Tax Act 58 of 1962
- 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.

8 ORGANISATIONAL STRUCTURE



PERFORMANCE INFORMATION

2018/19	2019/20	2020/21
96%	95%	100%

Unqualified audit opinion expressed, with no findings, by Auditor-General:

2018/19 | 2019/20 | 2020/21

Ward delimitation

4 468 WARDS
published for 2021 local government elections

4 468
ward profiles developed

Available on MDB portal: https://dataportal-mdb-sa.opendata.arcgis.com

Minimum norms and standards for municipal capacity

32 REPORTS

on minimum norms and standards for municipal capacity compiled to date.

2 Re-determination cases evaluated to determine impact on service delivery and development.

2 Research reports produced

Spatial boundary descriptions completed for all municipalities finalised in 2020/21

213 MUNICIPALITIES

Expanded media communication, including social media to inform our stakeholders and the general public of ward delimitation processes taking place.

PART B

ACHIEVEMENT HIGHLIGHTS

1 WARD DELIMITATION FOR THE 2021 LOCAL GOVERNMENT ELECTIONS

The delimitation of wards for the 2021 Local Government Elections commenced in February 2019 with the awareness and education campaign.

The public consultations for all municipalities were planned between February and April 2020. Public consultation sessions in the Eastern Cape, KwaZulu-Natal, Mpumalanga, Gauteng and Western Cape commenced in February 2020 and continued into March 2020. All meetings scheduled from 16 March 2020 were suspended due to the declaration of the COVID-19 National state of disaster by the President.

Consultation sessions planned for April 2020 and a few scheduled for middle to end-March had to be suspended after the declaration of a nationwide lockdown.

The MDB was able to complete consultation meetings in 109 municipalities and had to cancel the planned meetings in 104 local municipalities.

Table 1: Outcome of public consultations

Province	Planned meetings	Completed meetings	Discontinued meetings
Eastern Cape	33	30	3
Free State	19	0	19
Gauteng	9	1	8
KwaZulu-Natal	44	37	7
Limpopo	22	0	22
Mpumalanga	17	17	0
Northern Cape	26	0	26
North West	18	0	18
Western Cape	25	24	1
TOTAL	**213**	**109**	**104**

The MDB consulted the IEC on the overall impact of the lockdown and it was agreed that the date of final handover of final wards should be revised from August 2020 to November 2020. The two institutions also agreed that the ward delimitation process should be split into two batches:

The MDB resorted to conduct virtual meetings with the municipalities where public consultation meetings were cancelled. Most municipalities accepted the request while others declined, and some indicated that the meeting was not required.

BATCH 1 | municipalities where public meetings had already been completed in 2019/2020.

BATCH 2 | municipalities where public meetings were cancelled.

Table 2: Outcome of virtual meetings

Province	Number of Municipalities	Meetings completed	Meetings not required by Municipality	Meetings not convened
Eastern Cape	3	3	0	0
Free State	19	18	1	0
Gauteng	8	3	1	4
KwaZulu-Natal	7	6	1	0
Limpopo	22	22	0	0
North West	18	9	2	7
Northern Cape	26	20	0	6
Western Cape	1	1	0	0
TOTAL	**104**	**82**	**5**	**17**

The closing date for submission of ward proposals for Batch 1 municipalities was extended from 30 April to 31 May 2020 and for Batch 2 municipalities from 30 April to 30 June 2020 to allow for more time to consult and consolidate submissions.

To ensure a smoother process for submissions, over and above the normal mechanisms such as fax, email and post, the MDB created the online submission platform to allow members of the public and stakeholders to make their submissions via their computers or mobile phones. This resulted in MDB receiving a sizable number of submissions through this online submission platform, which to a large extent mitigated the frustrations that would come with the absence of the face-to-face meetings.

Overall, the MDB received a total of 1 206 submissions for both batches as indicated in table 3 below. Submissions were analysed and presented to the board for consideration. Batch 1 submissions were considered by the board on 22 July 2020 and Batch 2 submissions were considered on 23 September 2020. During August and October 2020, the MDB published 4 468 wards in provincial gazettes inviting any persons aggrieved by the determination of the wards to lodge objections within 14-days from the publication of the gazette.

Table 3: Provincial summary of submissions received and analysed

Province	Number of wards	Number of submissions			Wards reconfigured due to submissions
		Received	Rejected	Accepted	
Eastern Cape	710	146	65	81	70
Free State	319	108	25	83	78
Gauteng	529	73	26	47	98
KwaZulu-Natal	901	152	61	91	301
Limpopo	568	338	85	253	137
Mpumalanga	400	132	41	91	185
North West	403	100	20	80	131
Northern Cape	232	47	18	29	38
Western Cape	406	110	27	83	89
TOTAL	**4 468**	**1 206**	**368**	**838**	**1 127**

The closing dates for objections for both batch 1 and batch 2 municipalities were on the 23 September 2020 and 23 October 2020 respectively. The MDB received 1 465 objections.

The board considered all objections received, confirmed 3 999 wards as they were published and varied 469 wards as per objections (See table 4 below). On 1 December 2020, the MDB handed 4 468 ward boundaries to the IEC to prepare for the Local Government Elections in 2021.

Table 4: Outcomes of consideration of objections

Province	Total number of wards	Wards confirmed	Wards varied	Percentage of varied wards
Eastern Cape	710	687	23	3%
Free State	319	293	26	8%
Gauteng	529	492	37	7%
KwaZulu-Natal	901	731	170	19%
Limpopo	568	535	33	6%
Mpumalanga	400	339	61	15%
North West	403	330	73	18%
Northern Cape	232	222	10	4%
Western Cape	406	370	36	9%
TOTAL	**4 468**	**3 999 (90%)**	**469 (10%)**	

During January and March 2021, the MDB analysed the 2021 wards against the 2016 wards and determined that 1 620 of the 4 468 retained their geographic area as outlined in table 5 below.

Table 5: Outcome of the 2021-wards in relation to the 2016-wards per province

Province	Number of wards 2016	Number of wards 2021	Wards retained from 2016	Provincial % retained from 2016
Eastern Cape	705	710	327	46%
Free State	309	319	105	33%
Gauteng	529	529	196	37%
KwaZulu-Natal	870	901	306	34%
Limpopo	566	568	274	48%
Mpumalanga	400	400	94	24%
North West	407	403	154	38%
Northern Cape	204	232	38	16%
Western Cape	402	406	126	31%
TOTAL	**4 392**	**4 468**	**1 620**	**36%**

On conclusion of the ward delimitation process in December 2020, the board resolved that an evaluation of the process should be conducted with the intention to identify and record lessons learnt. A report which captures lessons from the different phases of the ward delimitation process was compiled. It outlines some of the approaches that might be employed to improve future ward delimitation processes where challenges were identified. This report does not only focus on MDB specific issues, but it also outlines some of the matters that require attention by all affected stakeholders including the different spheres of government and members of the public. Lessons learnt are summarised as follows:

a. There is a lack of understanding of MDB's mandate, processes, functions and legal prescripts by most stakeholders and members of the community. This highlights the need for the MDB to intensify its public and stakeholder education and awareness activities. There is a need for the MDB to strengthen partnerships with all government departments to enhance education and awareness regarding MDB's functions. e.g. MDB to consider formal participation in all IGR forums.

b. The revision of the formulae by the Minister of CoGTA and cautious determination of the number of councilors by MEC's does not contribute drastically to the retention of the spatial area of the wards. Therefore, ward boundaries cannot be maintained by maintaining the number of councilors in a municipality.

The determining factor is the voter registration patterns in a particular municipality which impact on the average number of voters allowed (norm) per ward in each municipality; an example as seen from 2016, it was found that:

i. 13 municipalities had a decrease of voters between 1% and 3% per municipality;

ii. 185 municipalities had an increase of voters between 1% and 20% per municipality; and

iii. 15 municipalities had an increase of voters of less than 1% per municipality.

c. To stabilise ward boundaries, we need to review the current system impacting on the delimitation of ward boundaries (e.g. need to answer questions on whether there is a need for regular determination of the number of councilors, the need for utilisation of the norm and registered voters etc.)

d. MDB to consider intensifying discussions regarding the possible use of population versus registered voters for ward delimitation.

e. The MDB needs to carefully consider the implications of the pre-legal processes on the legal process i.e. the weight carried by submissions and proposals received during the public meetings and written submissions period vis a vis the weight of objections received during objection process.

2 STAKEHOLDER ENGAGEMENT AND COMMUNICATION

During the year under review, following the outbreak of COVID-19, MDB had to respond with agility and review its traditional mode of face to face consultations and lean towards adopting virtual and digital methods to ensure continued interaction with its stakeholders. This was to ensure that despite the disruption caused by the pandemic, stakeholders are kept abreast of the ward delimitation process, are informed of important deadlines and encouraged to actively participate in the process.

In pursuit of ameliorating the public's misunderstanding of demarcation processes, the Public Education Framework and the Integrated Marketing and Communication Strategy was developed.

During quarter 4, a survey was conducted with identified stakeholders to gauge their experience and understanding of the ward delimitation process. A video clip, electronic banners as well as countdown alerts were used to ensure that stakeholders are aware of the process and adhere to the deadlines provided.

In an effort to raise awareness and encourage active participation, various communication platforms were used such as WhatsApp, Bulk SMS and video clips. The table below provides details about adverts, website articles, radio and TV interviews used to raise awareness and encourage participation on the deadlines for submissions of inputs as well as the objection period:

Province	National/Provincial/Local Newspaper	Date
Kwa-Zulu Natal	Isolezwe	25 May 2020
All	Daily Sun	25 May 2020
Eastern Cape	Isolezwe le si Xhosa	04 June 2020
Free State	Bloemfontein Courant	11 June 2020
Polokwane	Die Pos	12 June 2020
Free State	Bloemfontein Courant	12 June 2020
Northern Cape	Volksblad	11 June 2020
Free State	Volksblad	16 June 2020
North West	Mafikeng Mail	24 July 2020
Western Cape	Cape Argus	30 July 2020
North West	Mmegadikgang Newspaper	July 2020 Edition
Mpumalanga	Mpumalanga News	12 August 2020
Eastern Cape	Isolezwe le si Xhosa	13 August 2020
Gauteng	Sowetan	13 August 2020
Northern Cape	Volksblad	02 October 2020
Kwa-Zulu Natal	Isolezwe	07 October 2020
Western Cape	Cape Argus	05 October 2020
Gauteng	Daily Sun	08 October 2020
North West	Moretele News	08 October 2020
North West	Mmega Dikgang	09 October 2020
All	Daily Sun (Final Wards)	22 October 2020
Free State	Bloemfontein Courant	08 October 2020
Free State	Volksblad	09 October 2020
Polokwane	Polokwane Observer	08-14 October 2020
Northern Cape	Diamond Fields Advertiser (DFA)	09 October 2020
All Provinces	Vuk'uzenzele Publication	November 2020 edition
All Provinces	Daily Sun (Final Wards)	14 December 2020
Gauteng; Mpumalanga; Limpopo; North West & Free State	The Star	14 December 2020

Adverts were placed on the following national or multi-provincial radio stations:

Province	Radio Station	Date
Orange Free State	Lesedi FM	22-25 June 2020 I 06-10 July 2020 I 20-24 July 2020 I 01-07 October 2020
North West	Motsweding FM	22-25 June 2020 I 06-10 July 2020 I 20-24 July 2020 I 01-07 October 2020
Mpumalanga	Munghana Lonene FM	22-25 June 2020 I 06-10 July 2020 I 20-24 July 2020 I 01-07 October 2020
Limpopo	Phalaphala FM	22-25 June 2020 I 06-10 July 2020 I 20-24 July 2020 I 01-07 October 2020
National	Radio Sonder Grense	22-25 June 2020 I 06-10 July 2020 I 20-24 July 2020 I 01-07 October 2020
Limpopo	Thobela FM	22-25 June 2020 I 06-10 July 2020 I 20-24 July 2020 I 01-07 October 2020

Board members deployed to specific provinces conducted interviews in local languages, to ensure that all stakeholders understand the ward delimitation process. Radio interviews were conducted on the following stations including community radio stations:

National/Province/Community	Radio Station	Date
Limpopo	Makhado FM	03 June 2020
Limpopo	Energy FM/Choice FM	03 June 2020
North West	You FM	02 July 2020
North West	Mahikeng FM	07 July 2020
North West	Aganang FM	22 July 2020
Limpopo	Sekhukhune FM	27 July 2020
North West	Star FM	28 July 2020
Free State	Setsoto FM	05 August 2020
Gauteng	Ubuntu Radio	03 June 2020
Limpopo	Thobela FM	04 June 2020
Free State	Lesedi FM	05 June 2020
Mpumalanga	Munghana Lonene	10 June 2020
Eastern Cape	Tru FM	27 July 2020
Eastern Cape	uMhlobo Wenene	07 August 2020
Free State	Setsoto FM	07 October 2020
Limpopo	Radio Turf	13 October 2020
Free State	Lesedi FM	27 November 2020
Free State	Setsoto FM	01 December 2020
Limpopo	Radio Turf	02 December 2020
Limpopo/Mpumalanga/Gauteng/ North West	Munghana Lonene	02 December 2020
Gauteng/Limpopo	Power FM	02 December 2020
Gauteng/Limpopo	Capricorn FM	02 December 2020

TV interviews were conducted on the following stations:

TV Station	Date
NewzRoom Afrika	21 and 29 July 2020
The Agenda – SABC	23 July 2020
ENCA	28 July 2020
SABC News	01 December 2020

Various virtual engagements to raise awareness and provide updates on the status of the ward delimitation process were conducted at the following forums: Portfolio Committee on Cooperative Governance and Traditional Affairs; Inter-Ministerial Committee on Local Government Elections; Speaker of Council (City of Johannesburg); IEC National and Provincial Party Liaison Committees; Provincial Public Participation Steering Committee (PPPSC) Free State; Western Cape IGR; Portfolio Committee on Home Affairs; Limpopo SALGA Council of Speakers Governance & Elections Summit; Limpopo Premier's Technical IGR Forum; SALGA IGR Working Group; Technical IMC on Local Government Elections etc.

Social media platforms were extensively used to increase awareness and encourage participation given the outbreak of COVID-19. Various media advisories were issued which resulted in coverage on various media platforms such as newspapers, radios etc.

3 RESEARCH AND KNOWLEDGE MANAGEMENT

3.1 Spatial boundary descriptions for all municipalities

A project to develop spatial boundary descriptions for all municipalities began in 2017, with the aim to describe municipal boundaries by using geographical location in relation to the cadastral (farm boundaries) and other natural or man-made features. Spatial boundary descriptions of all 257 municipalities in South Africa were completed at the end of the 2020/21 financial year. The end-product would assist users in identifying the geographical extent of each of the municipalities which would result in proper registration of properties in their jurisdictions; and provide the record of historical changes of the municipal boundaries during the past years of demarcation and therefore allow the MDB to avoid duplication and unnecessary reverse demarcations.

3.2 Reports compiled on minimum norms and standards for municipal capacity to perform powers and functions

The objective of the project is to determine if there are minimum norms and standards for capacity (financial, infrastructure and human) of municipalities to perform their powers and functions as outlined in section 156(1) of the Constitution in Part B of Schedule 4 and Part B of Schedule 5. This will further assist the MDB if so consulted in terms of section 85(20(b) of the Systems Act when advising the MECs for Local government as and when there is a need for the adjustment of the function between the locals and the district municipalities. In this regard, reports are prepared for each of the municipal powers and functions.

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

a. Child care facilities
b. Pontoons, ferries, jetties, piers and harbours
c. Cleansing
d. Control of public nuisances
e. Facilities for the accommodation, care and burial of animals
f. Fencing and fences
g. Licensing of dogs
h. Local amenities

Since the introduction of this project in 2018/19 on minimum norms and standards for municipal capacity, 32 functions have been compiled.

3.3 Research papers

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

To further build this repository, two research papers and a discussion paper were produced for the period under review.

The two research papers were:

a. Analysis of underlying causes for requests for municipal boundary re-determination received by the Municipal Demarcation Board

The objective of the study was to determine and analyse the reasons underlying the municipal boundary re-determination requests received by the MDB during and after it had concluded the technical outer municipal boundary re-determinations process in 2018. The MDB took a decision in 2016, not to conduct any major municipal boundary re-determinations in the period until after the 2021 local government elections. Regardless of the communique in several circulars including Circular 1 of 2019 to this effect, the MDB has continuously been receiving proposals on municipal boundary changes. However, the underlying reasons for these requests are not clearly understood to an extent that the application of demarcation as a tool or intervention for resolving the problems at hand might not be feasible.

The study focused on 23 municipal boundary re-determination proposals which had been received at that time. Cases under consideration were from the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and North West provinces.

The different causes or reasons for people to submit requests for municipal boundary re-determination were categorised into the following main categories for purposes of this study; governance and functionality; the interdependence of people, communities and economies; spatial and development planning; and financial and administrative capacity. These four categories were then ranked based on the reference frequency, that is, the total number of responses within each category. This ranking process reveals the most common motives in the proposals received by the MDB.

Preliminary indications from international literature are that in terms of the reasons for municipal boundary redeterminations there's largely a focus on the functional benefits of municipal amalgamations. The other reasons proffered for the amalgamation of municipalities in the literature include socio-geographic factors (e.g. past history, local identity, community ties, natural features and physical contiguity), settlement patterns (with minimum population sizes set for municipalities by state or national governments), and equity/redistribution (i.e. social justice).

The findings of the study could be summarised as follows:

i. Amalgamating municipalities is a complex process that is driven by a wide range of motives. This study, using the MDB's evaluation matrix, identified the most common reasons proffered by those who have submitted proposals for municipal boundary re-determinations since 2017. The most frequently cited motives in the responses received focused on governance and functionality, the interdependence of people, communities and economies. This is not surprising considering that none of the proposals analysed were from national or provincial governments where issues of financial viability tend to be more dominant in the proposals made to the MDB.

ii. An analysis of underlying reasons for boundary requests (especially where there are many such requests from a municipality) can assist the MDB in its assessment of the requests received from the public, particularly in terms of amalgamations.

iii. The study was not only important in clearly identifying the reasons underlying municipal boundary re-determination requests but also highlighted important shortcomings of the legislation. As pointed out elsewhere, some of the criteria in the MDA are duplicated while it is not clear what others, such as section 25(e) "provincial and municipal boundaries", really mean.

b. Public participation in municipal ward delimitations

This exploratory study assessed the effectiveness of the MDB public consultations using case studies focusing on ward delimitation public consultation processes. The study used qualitative techniques to assess the effectiveness of the MDB's public consultation meetings based on the views from both the top (participants from the MDB, academics and a municipal official) and the bottom (those from affected communities). Views concerning the meaning, appropriateness, format, content, location and duration of these public consultation meetings were sought.

The findings of the study could be summarised as follows:

i. The general view among most participants in the study was that public consultation meetings had positively impacted the ward delimitation process. However, a myriad of challenges was highlighted. The challenges included a widespread lack of knowledge of the MDB and its processes; the dependence by the MDB on municipalities for what/; the pervasive political intolerance in many municipalities; scepticism about the MDB's neutrality and independence. Many of these challenges had had a negative impact on the effectiveness of public consultation meetings.

ii. Two proposals on improving the effectiveness of the MDB's public consultation process emerged. Advocates of the first proposal did not see any alternatives to the current public consultation meetings. The focus was on improving the effectiveness of these meetings through a process of decentralisation - having more than one meeting in a municipality. ICT was seen as complementing these public meetings but was not viewed as a viable alternative. Proponents of the second proposal felt that the MDB should concentrate more on education and awareness with public consultation meetings being conducted by councillors and Community Development Workers. Here, the argument was that a basic knowledge of the MDB and its ward delimitation processes was an important prerequisite for rational discussions of ward delimitation processes at public consultation meetings. Given the glaring gaps in the knowledge of ward delimitation processes, the MDB should therefore focus on education and awareness initiatives.

At the beginning of 2020, following a ruling by the Constitutional Court regarding the participation of independent candidates in national and provincial elections, and the subsequent debates in the country on how the electoral system would be adjusted, the MDB, began work on the matter and a discussion paper was produced as outlined hereunder:

a. An alternative electoral system for South Africa

In terms of the current legal framework, the MDB is responsible for demarcation of municipal and ward boundaries. After consultation with the IEC, the MDB uses registered voters to delimit all metropolitan municipalities and local municipalities into wards every five years preceding the Local Government Elections for electoral purposes [Schedule 1 (2) of Municipal Structures Act 117 of 1998 (MSA)]. Thus, the ConCourt ruling on Electoral Act being unconstitutional has direct implications for the MDB's work.

It was against this background that the discussion paper sought to determine the pros and cons of an alternative electoral system for South Africa. This paper kick-started discussions on the determination of an alternative electoral system, which is the feasibility of holding simultaneous (concurrent) local, provincial and national elections in South Africa. Furthermore, the paper generated useful information by analysing discussions from various Political Organisations and Foundations on the need for an alternative electoral system for South Africa. Thus, the paper was perceived to make meaningful contribution in this regard by:

i. Determining what the current South African law says about the two elections (National and Local).
ii. Determining the rationale for South Africa to choose the current electoral system.
iii. Establishing the challenges of the current two-way electoral system.
iv. Establishing the advantages and disadvantages of the current system.
v. Determining an alternative electoral system for South Africa by exploring what a constituency-based system would mean for the current constitutional framework as well as its advantages and disadvantages.
vi. Determining what a single electoral system entails, its pros and cons and also legal reform that needs to be affected if a single electoral system is adopted in South Africa.

3.4 Compilation of 2021 Ward Profiles

The MDB delimits wards every five years in preparation for the local government elections. At the time of concluding this process, the only information attached to the ward is the number of registered voters. The ward profiles for all the 4 468 wards have been compiled. This consists of demographic information and household information per ward. The ward profiles are critical for many stakeholders in the state. Private and public institutions and individuals can use this for a myriad of reasons to understand the make-up of wards. In addition, government can utilise this for development planning purposes.

3.5 Evaluation of re-determination cases to determine their impact on service delivery and development

The aim of this project was to use the four defined criteria (i.e. finance and governance, socio-demographic, economic and spatial) and their corresponding indicators – developed in the previous benchmarking studies – to evaluate the impact of re-determination on service delivery and development in the amalgamated municipalities of Mangaung Metropolitan Municipality and Polokwane Local Municipality. The Mangaung Metropolitan Municipality was amalgamated with Naledi Local Municipality to form a single municipality, while Polokwane Local Municipality incorporated the largest portion of the disestablished Aganang Local Municipality.

The results of the evaluation enabled a comparison of the performance for the afore-mentioned two municipalities during the pre-amalgamation and post-amalgamation periods. After amalgamation, Mangaung Metropolitan Municipality has shown a decline in finance and governance criterion (e.g. audit reports, financial spending, revenue generation), socio-demographic criterion (e.g. population density, skilled labour, education levels, employment), while economic criterion (e.g. gross value added, diversification of local economy) showed slight improvement, and spatial criterion (e.g. airports, railway and road connectivity, level of urbanisation, economic strength of urban area) remained stable. On the other hand, after incorporating Aganang Local Municipality, Polokwane Local Municipality experienced improvement in finance and governance criterion, with a decline in socio-demographic and economic criteria, and spatial criterion remained stable.

The outcomes of the project indicated that it is possible to conduct rapid evaluation of the performance of municipalities using available data, and if done continuously, the areas of concern could be identified, consequently allowing authorities to carry out targeted interventions in those municipalities.

PART C

PERFORMANCE INFORMATION

1 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 62 of the Report of the Auditor, published as Part F: Financial Information.

2 SITUATIONAL ANALYSIS

The MDB operates in a complex environment, which involves the actions of multiple stakeholders and partners across all three spheres of government. Intergovernmental and cooperative governance is central to ensure efficient and effective delivery of end-to-end municipal demarcation outcomes.

The MDB contributes to constitutional democracy by creating municipalities that would be functional and meet their obligations through configuration of municipal and ward boundaries. The MDB is responsible for re-determining municipal boundaries, categorising qualifying municipal areas into metropolitan municipalities, delimiting wards, assessing the capacity of municipalities to perform their powers and functions, and rendering advisory services within the scope of its mandate.

2.1. Service delivery environment

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

Continued lack of understanding and knowledge among stakeholders about its work will spur the MDB to strengthen its partnerships and engagement with all stakeholders. It will also consider strengthening its involvement in bilateral engagements and multi-stakeholder forums. The latter includes intergovernmental relations forums such as CoGTA MinMEC, provincial CoGTA MEC/municipality forums, SALGA National Members and Provincial Members Assemblies and district IGR forums, be it through face-to-face meeting or virtual interaction.

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

The MDB's current set-up is highly dependent on municipalities or departments to facilitate a number of its public and stakeholder awareness and education activities. These dependencies continue to undermine the independence of the MDB. This provides a further impetus to capacitate the MDB to establish a localised footprint to get closer to communities, and to deepen local democracy and citizen participation. However, due to the limited resources and government's continued fiscal constraints, the MDB is unable and cannot realise the above-mentioned objectives. With the COVID-19 pandemic and resultant social distancing measures, new and innovative ways, involving less physical interaction must be established to bring the message across to citizens and stakeholders. The MDB will further investigate alternative pathways, such as social media and other virtual interactive platforms that will reinforce the traditional mode of participation in consultations with key stakeholders.

The sensitive and contentious nature of demarcation cannot be overemphasised and has manifested in community protests, complaints and litigations against the decisions of the Board.

2.2. Organisational environment

During the 2016 to 2021 MTSF period, the MDB improved its organisation performance from 65 percent in 2016/17 to full achievement of its intended outputs and targets in all programmes in 2020/21. Governance, supply chain and financial management processes improved consistently and the MDB received unqualified audit opinions, with no findings, for the financial periods 2018/19, 2019/20 and 2020/21.

While the MDB's financial and human resources are inadequate for the organisation to fulfil its mandate, the MDB's personnel possesses competencies, experience and expertise in demarcation. That coupled with leadership stability augurs well for the future of the MDB. These competencies will be exploited to deepen the provision of proactive advisory services to stakeholders, i.e. strategic advice on demarcation, spatial and infrastructure planning to local government. This objective will be realised by strengthening collaborations with key stakeholders to improve effective intergovernmental relations and to leverage resources and strategic alliance. This will address current service delivery, governance and financial viability challenges facing local government and improve deteriorating socio-economic conditions evidenced by low economic growth, increased levels of unemployment, mounting numbers of service delivery protests and increased inequality. The MDB should ensure that its demarcation criteria elevates these issues to the apex of the re-determination criteria.

The anomalies in the current organisational structure need to be rectified to create the ideal structure for capacitation, which will enhance local participatory democracy by allowing the public direct access to MDB services. The MDB has, as part of its capacitation implementation plan, proposed an incremental funding approach to NT and CoGTA. This would see the organisational structure increase by nine posts, and the baseline allocation increase correspondingly each year over the MTEF. The MDB will not be able to effectively achieve its outcomes for the 2021 to 2025 strategic planning period without the corresponding capacitation, especially in relation to public participation and consultation. However, in view of the current economic downturn and the impact of the COVID-19 pandemic to the national fiscus it is unlikely that the MDB will proceed with its plans as outlined above as the MDB's MTEF allocation has been significantly reduced.

Although the MDB has entrenched competencies, experience and expertise in demarcation, progression of employees within the organisation is hampered by the shortcomings of the organisational structure, in terms of progression, making retention of employees very difficult. Given that there is no increase in the budget allocation, the MDB will not be able to expand its organisational structure by creating new positions, emphasis should be on existing capacity and coming up with mechanisms of maximising performance with the existing resources. The MDB will have to critically analyse all the positions for possible duplications and where possible redesign some positions and functions. The MDB has conducted and implemented the job evaluation wherein the majority of the critical positions were upgraded which will assist in retaining (talent) critical skills, particularly in research, core operations, ICT and GIS.

Lack of core business-enabling ICT platforms or systems and limited numbers of appropriately skilled ICT personnel prevent the establishment of a systematic process for the management of knowledge. The MDB requires cloud data storage to enable uninterrupted access to information, which should be augmented by human resources capability in the development of applications and systems. Further, the MDB should broaden and extend its capability to conduct virtual meetings, in addition to providing customer-friendly information on its processes through broader media platforms to reach general citizens. The idea of the MDB becoming a knowledge-based organisation must be aligned to ICT skills and resources within the organisation.

A future is envisaged where systems will be incorporated into an enterprise resource planning (ERP) system that will offer a shared central database that supports multiple functions used by different business units. ERP systems integrate various functions of an organisation into one complete system to streamline the processes and information in the entire organisation.

In a bid to improve stakeholder management and dissemination of information, the MDB established the Ward Delimitation and Boundary Determination Committee. The forum allows the MDB to meet with its stakeholders drawn from the national government, state agencies and representatives from departments responsible for local government. Although not enough, this has ensured that, the MDB meets its minimum obligation for stakeholder engagement

2.3. Key policy developments and legislative changes

The Constitutional Court's ruling regarding the constitutionality of participation of independent candidates in national and provincial elections, might result in MDB being granted the responsibility of demarcating boundaries of constituencies.

The passing of the Local Government: Municipal Structures Amendment Bill by the National Assembly in March 2021 will have a direct impact on ward delimitation.

The declaration of the COVID-19 national state of disaster, subsequent lockdowns and Disaster Management Act regulations affected the operations and performance of the MDB in the review period.

2.4. Progress towards achievement of institutional Impact and Outcomes

In its pursuit of organisational and corporate governance excellence, in its first year of implementation of its Strategic Plan, the MDB developed a Capability maturity model and identified operational systems and processes to be improved within its assessment. The MDB aspires to achieve a level 5 rating on its developed Capability maturity model by 2025. This ties in well with having obtained an unqualified audit opinion, with no findings 'clean audit' from the Auditor General (AG) for a second year in a row (2018/19 and 2019/20) and having fully achieved its set targets for the 2020/2021 reporting period.

To contribute to spatial transformation as envisaged in the NDP, wards were delimitated for all municipalities that qualify to have wards. Final wards were handed over to the IEC in December 2020, in order to prepare for local government elections to be held in October 2021. The MDB will, there after commence with the municipal outer boundary determinations process. The re-determination of municipal boundaries will, in the next round, consider emerging concerns regarding the viability and funding model for local municipalities arising from recent engagements on the viability of amalgamated municipalities between Parliament, Municipalities and Local Government Stakeholders.

To further build the research and knowledge repository to enhance its legislative mandate, an additional two research papers and a discussion paper were produced to enhance the existing MDB research base.

The MDB drew from existing partnerships with key stakeholders and found effective and efficient ways to respond to challenges brought by COVID-19. Continuous knowledge sharing, and problem-solving engagements were initiated with key partners and stakeholders. To advance the programme of deepening democracy through public awareness, education and participation, a thorough crisis communication plan was developed internally to assist the institution to adapt to these new challenges.

3 PERFORMANCE INFORMATION BY PROGRAMME

3.1. Programme 1: Administration

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

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

Corporate Services focuses on the following:

- Legal services

  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

  Effective and efficient operation of the Board and its committees. Ensures that the Board receives all information as provided for in the Board charter and Standard operating Procedures to facilitate informed decision-making in the performance of oversight responsibilities and fiduciary duties.

- Human resources

  Organisational design and the human resources value chain, including human capital development, performance management and labour relations to ensure that the organisation remains competitive, attracts and retains the talent necessary to drive implementation of the MDB's mandate. This will include realignment of posts on the organisational structure in support of strategic objectives.

- Administration

  Administrative support services in facilities and records management, occupational health and safety, and auxiliary services.

- Corporate planning

  Support to management for the development of the Strategic Plan, APP, operational plans and quarterly reporting on performance against pre-determined objectives.

- ICT support

  Enable the organisation to function effectively and efficiently through technological innovations. ICT should inform new ways of doing business, resulting in efficiencies, convenience, cost saving and improved outcomes. This should provide and maintain a sustainable and secure ICT service that supports governance of the MDB. It applies to internal operations, e.g. electronic document management and cost efficiency, collaboration with stakeholders and the public, and decision support.

Financial Management focuses on the following:

- Financial management

  Effective, efficient and transparent systems of financial management to deliver accurate financial information for timeous decision-making.

- Risk management

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

- Supply chain management

  An appropriate procurement system that is fair, equitable, transparent, competitive and cost effective to prevent irregular, fruitless and wasteful expenditure.

- Asset management

  Effective systems and processes to acquire, safeguard, maintain and dispose of assets, including tangible and intangible assets such as information copyright.

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

Programme 1:	Administration					
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**
Organisational excellence	Capability maturity model	Capability maturity model developed	Develop capability maturity model	Capability maturity model developed	None	N/A
	Capability maturity assessment report	Capability maturity level assessed	Assess capability maturity level	Capability maturity level assessed	None	N/A
	Implementation rate of Board resolutions	Percentage Board resolutions implemented	≥90%	96,4%	None	N/A
	Board committee reconfiguration report	Reconfiguration of Board committees completed	Board committees reconfigured	Board committees reconfigured	None	N/A
	Reports on compliance with relevant legislation	Number of reports on monitoring and evaluation of compliance with relevant legislation submitted	4	4	None	N/A
	Organisational performance review sessions conducted	Number of organisational performance review sessions conducted	4	4	None	N/A
	ICT governance reports	Number of reports on ICT governance submitted	4	4	None	N/A
	Vacancy rate of funded positions	Percentage vacancy rate of funded positions over the period	≤10%	2%	None	N/A
	Training interventions provided	Number of staff members provided with training interventions	12	20	8	Due to restriction on gatherings and social distancing measures in terms of the COVID-19 pandemic risk mitigation measures, training institutions offered virtual engagements with no restrictions on

Programme 1:	Administration					
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**
Organisational excellence						the number of attendees for a course to take place. As a result, there were minimal challenges relating to logistics of training such as suitable dates and number of delegates per class. Therefore, a higher number of staff members were provided with training interventions than originally planned.
	Reviewed organisational structure	Organisational structure reviewed	Review organisational structure	Organisational structure reviewed	None	N/A
	Report on outcomes of organisational survey	Organisational survey conducted	Conduct organisational survey	Organisational survey conducted	None	N/A
	AGSA report	Audit opinion expressed by AGSA	Unqualified audit opinion with no findings (clean)	Unqualified audit opinion with no findings (clean) issued	None	N/A
	Budget monitoring reports	Number of budget monitoring reports submitted	4	4	None	N/A
	Strategic risk register	Annual strategic risk register developed	Develop annual strategic risk register by end-March 2021	Annual strategic risk register was developed by end-March 2021	None	N/A
	Risk mitigation reports	Number of risk mitigation reports submitted	4	4	None	N/A
	Report on implementation status of audit recommendations	Percentage of audit action plan implemented	100%	100%	None	N/A

3.2. Programme 2: Demarcation and Spatial Transformation Excellence Purpose:

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

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

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

During the year under review the MDB revised its APP due to COVID-19 restrictions, the national lockdown and disaster management regulations. This led to the suspension of public meetings to consult on first draft wards, which started in the 2019/20 period and were planned to continue in the 2020/21 period. During this process the related output indicator, as per table 3.2.1 was removed and replaced with an output indicator that provided for ward delimitation reports for each municipality to be compiled. Table 3.2.1 shows the new indicator included in the re-tabled APP. These ward delimitation reports captured all inputs made by stakeholders and citizens when the MDB accepted submissions on draft wards. The reports provide comprehensive details of proposals received and the outcome of each ward in relation to the draft wards. Draft wards were prepared in October 2019 and provided to municipalities in January 2020. More detail on the ward delimitation process is provided in Part C, point 1 of this report.

Table 3.2.1 Originally tabled Annual Performance Plan

Programme 2:	Demarcation and Spatial transformation excellence						
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**	**Reasons for revisions to the Output/ Output indicator/ Annual target**
Well-defined municipal spaces	Municipalities consulted on first draft wards	Number of municipalities consulted on first draft wards	85	0	85	Due to several COVID-19 restrictions, lockdown and Disaster Management regulations to curb the spread of COVID-19 infections, the MDB could not proceed to arrange and conduct public meetings/ gatherings.	Consultations with municipalities were suspended and subsequently cancelled, due to the declaration of the COVID-19 State of national disaster by the President on 15 March 2020 and the national lockdown put in place to mitigate the spread of COVID-19 infections.

Table 3.2.2. Re-tabled Annual Performance Plan (July 2021)

Programme 2:	Demarcation and Spatial transformation excellence					
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**
Reviewed organisational structure	Ward delimitation reports	Number of ward delimitation reports compiled	213	213	None	N/A
	Wards for all municipalities that qualify	Number of wards published in terms of Item 5(1) of Schedule 1 of the MSA	4 468	4 468	None	N/A

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

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

This programme contributes towards our intended outcome, to improve access to research and spatial information that will position the MDB as a centre of spatial knowledge that enables the provision of proactive advisory services to stakeholders, i.e. strategic advice on demarcation, spatial and infrastructure planning to local government.

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

The significant achievements of this programme are detailed in Part C, point 3 of this report, as follows:

a. Spatial boundary description that will assist users in identifying the geographical extent of each municipality which would result in proper registration of properties in their jurisdictions; and provide the record of historical changes of the municipal boundaries;

b. Ward profiles to provide demographic information and household information per ward;

c. Determination of minimum norms and standards for capacity (financial, infrastructure and human) of municipalities to perform their powers and functions;

d. Evaluate the impact of re-determinations of service delivery and development using four defined criteria in the identified municipalities.

e. Research reports that 'Analysed the underlying causes for municipal boundary re-determination requests received by the MDB' and 'Public participation in municipal ward delimitations'.

Programme 3:	Research, Spatial Information and Intelligence Development					
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**
Improved access to research and spatial information	Spatial boundary descriptions for all municipalities	Number of municipalities with spatial boundary descriptions finalised	58	58	None	N/A
	Ward profiles for all wards	Number of wards profiled	4 468	4468	None	N/A
	Norms and standards for municipal capacity	Number of reports compiled on minimum norms and standards for municipal capacity to perform its powers and functions	8	8	None	N/A
	Evaluation reports on demarcation cases	Number of re-determination cases evaluated to determine the impact on service delivery and development	2	2	None	N/A
	Research reports	Number of research reports produced	2	2	None	N/A

3.4. Programme 4: Stakeholder engagement and Partnership Purpose:

To increase the MDB's effectiveness to deliver on its mandate and rally stakeholders to deepen awareness, understanding and knowledge of demarcation matters through coordinated consultations, meaningful stakeholder and public participation. Develop and strengthen partnerships to become an influential agent to drive the achievement of mutually beneficial outcomes.

This programme contributes towards our intended outcome to improve public and stakeholder participation to ensure awareness and understanding of our processes.

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

We completed several activities aimed at raising awareness of both our stakeholders and the general public on the ward delimitation process. These are detailed in Part C, point 2 of this report. Further to this, a stakeholder perception survey to determine the effectiveness of our communication activities during the ward delimitation process was completed and a communication strategy to facilitate public education for the demarcation processes was developed. A strategy to support marketing and communication initiatives was developed to further enhance and build our internal capability report.

Programme 4:	Stakeholder engagement and Partnership					
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**
Improved public and stakeholder participation	Public awareness and education activities	Number of public awareness and education activities completed	8	8	0	N/A
	Stakeholder awareness and education activities	Number of stakeholder awareness and education activities completed	8	12	+4	More activities than planned were executed as part of crisis communication plan, implemented due to the implications of COVID-19 mitigation measures on ward delimitation consultation processes.
	Social media posts initiated	Number of social media posts initiated to create awareness and educate the public and stakeholders	100	137	+37	More activities than planned were executed as part of crisis communication plan, implemented due to the implications of COVID-19 mitigation measures on ward delimitation consultation processes.
	Media publications/ broadcasts undertaken	Number of media publications and/or broadcasts undertaken	10	14	+4	More activities than planned were executed as part of crises crisis communication plan, implemented due to the implications of COVID-19 mitigation measures on ward delimitation consultation processes.

Programme 4:	Stakeholder engagement and Partnership					
Outcome	**Output**	**Output Indicator**	**Planned Annual Target 2020/21**	**Actual Achievement 2020/21**	**Deviation from planned target to Actual achievement 2020/21**	**Reasons for deviations**
Improved public and stakeholder participation	Public education framework developed	Develop public education framework	Public education framework developed	Developed Public education framework	None	N/A
	Report of stakeholder perceptions	Conduct stakeholder perception survey	Stakeholder perception survey conducted	Conducted a Stakeholder perception survey	None	N/A
	Integrated marketing and communication strategy developed	Develop integrated marketing and communication strategy	Integrated marketing and communication strategy developed	Developed Integrated marketing and communication strategy	None	N/A

3.5. Linking performance with budgets

	2020/21			2019/20		
Programme/ activity	**Estimate**	**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	41 532	38 684	2 848	39 764	37 918	1 846
Programme 2: Demarcation and Spatial transformation	19 521	17 914	1 608	15 383	12 054	3 618
Programme 3: Research, Spatial Information and Intelligence development	2 784	2 726	58	2 044	2 235	(191)
Programme 4: Stakeholder engagement and partnership	4 728	4 346	382	6 170	4 257	1 913
Total	**68 566**	**63 670**	**4 895**	**63 361**	**56 464**	**6 653**

4 REVENUE COLLECTION

	2020/21			2019/20		
Sources of revenue	**Estimate**	**Actual Amount Collected**	**(Over-) /under-collection**	**Estimate**	**Actual Amount Collected**	**(Over-) /under-collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Grants and subsidies	63 017	63 017	-	64 268	64 268	-
Sale of goods	-	-	-	-	-	-
Interest received	657	1 100	(443)	950	1 041	(91)
Other income	6		6		21	(21)
Total	**63 680**	**64 117**	**(437)**	**65 218**	**65 330**	**(112)**

PART D GOVERNANCE

1 PERFORMANCE INFORMATION BY PROGRAMME

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

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

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

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

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

2 PORTFOLIO COMMITTEE

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

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

3 THE BOARD

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

Unlike boards of other institutions, the MDB Board has dual responsibilities, namely the oversight role and the executive role in boundary demarcations.

Board Charter

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

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

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

Composition of the Board

The table below reflects membership of the MDB from 1 March 2020 and meetings attended in the 2020/21 financial year.

Name	Designation	Date		Other commitees	Number of board meetings attended
		Appointed	Term ended		
Thabo M Manyoni	Board Chairperson	1 March 2019	-		9
Mbali P Myeni	Deputy Board Chairperson	1 March 2019	-	Governance, Social and Ethics Committee; Audit, Risk and ICT Committee; Finance Committee; Ward Delimitation and Boundary Determination Committee	9
Jane J Thupana	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Finance Committee; Ward Delimitation and Boundary Determination Committee	9
Albert I Kekesi	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Finance Committee	9
Adv Monnapula P Motlogelwa	Board member	1 March 2019	-	Finance Committee; Research and Knowledge Management Committee	8
Greta Apelgren-Narkedien	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Research and Knowledge Management Committee; Human Capital Committee	9
Themba C Dubazana	Board member	1 March 2019	-	Audit, Risk and ICT Committee; Human Capital Committee	9
Mmatsie S Mooki	Board member	1 March 2019	-	Audit, Risk and ICT Committee; Ward Delimitation and Boundary Determination Committee; Human Capital Committee	9
Dr David M Mohale	Board member	1 March 2019	-	Governance, Social and Ethics Committee; Ward Delimitation and Boundary Determination Committee; Research and Knowledge Management Committee	9
Namso L Baliso	Board member	1 March 2019	-	Research and Knowledge Management Committee; Human Capital Committee	9

Committees

Committee	Number of meetings held	Number of members	Name of members
Governance, Social and Ethics Committee	4	5	Mbali P Myeni (Chairperson) Jane J Thupana Albert I Kekesi Greta Apelgren-Narkedien Dr David M Mohale
Audit, Risk and ICT Committee	7	4	Dawood Coovadia (Chairperson) Mbali P Myeni Themba C Dubazana Mmatsie S Mooki
Finance Committee	5	4	Albert I Kekesi (Chairperson) Mbali P Myeni Jane J Thupana Adv Monnapula P Motlogelwa
Ward Delimitation and Boundary Determination Committee	10	4	Jane J Thupana (Chairperson) Mbali P Myeni Dr David M Mohale Mmatsie S Mooki
Research and Knowledge Management Committee	4	4	Dr David M Mohale (Chairperson) Adv Monnapula P Motlogelwa Greta Apelgren-Narkedien Namso L Baliso
Human Capital Committee	6	4	Greta Apelgren-Narkedien (Chairperson) Themba C Dubazana Mmatsie S Mooki Namso L Baliso
Other Ad-Hoc Committees			
Moderation Committee	3	3 (various and interchangeable)	Greta Apelgren-Narkedien (Chairperson) Jane J Thupana Albert I Kekesi Adv Monnapula P Motlogelwa
Appeals Committee	1	3	Mbali P Myeni (Chairperson) Albert I Kekesi Dr David M Mohale

During the year under review three extraordinary Board meetings, four extraordinary Ward Delimitation Boundary Determination Committee and a review meeting of the Ward Delimitation Boundary Determination Committee, involving all Board members was held to deal with the ward delimitation process. A joint meeting was conducted between Audit, Risk and ICT Committee and the Human Capital Committee. The Finance Committee was established and held its first meeting in May 2020.

In addition, two ad-hoc Committees were established to oversee matters of performance assessments for senior management.

Attendance of commited meetings

Name	Governance, Social and Ethics		Audit, Risk and ICT Committee		Finance Committee		Ward Delimitation and Boundary Determination Committee		Research and Knowledge Management Committee		Human Capital Committee	
	M	A	M	A	M	A	M	A	M	A	M	A
Thabo M Manyoni							*	1				
Mbali P Myeni	4	4	7	2	5	5	10	10				
Jane J Thupana	4	4			5	5	10	10				
Albert I Kekesi	4	4			5	5	*	1				
Adv Monnapula P Motlogelwa					5	3	*	1	4	3		
Greta Apelgren-Narkedien	4	4					*	1	4	4	6	6
Themba C Dubazana			7	7			*	1			6	6
Mmatsie S Mooki			7	7			10	10			6	6
Dr David M Mohale	4	4					10	10	4	4		
Namso L Baliso							*	1	4	4	6	6

Legend: M = Meetings convened, A = Attendance

** A review meeting of the Ward Delimitation Boundary Determination Committee, that involved all Board members was held to deal with the ward delimitation process.*

Board member Mbali P Myeni was re-appointed as a fourth member of the Audit, Risk and ICT Committee in October 2020 and attended two out of the seven meetings of this committee for the period under review.

Name	Remuneration	Other allowances	Other reimbursements	Total
Thabo M Manyoni	1622	223		1622
Mbali P Myeni	360	26		386
Jane J Thupana	347	24		371
Albert I Kekesi	243	20		263
Adv Monnapula P Motlogelwa	184	18		202
Greta Apelgren-Narkedien	303	18		321
Themba C Dubazana	297	23		320
Mmatsie S Mooki	354	18		372
Dr David M Mohale	348	24		372
Namso L Baliso	254	18		272

4 RISK MANAGEMENT

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

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

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

5 INTERNAL CONTROL

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

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

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

6 INTERNAL AUDIT AND AUDIT, RISK AND ICT COMMITTEE

The Chairperson of the Audit, Risk and ICT Committee is Dawood Coovadia, an external/independent member and a practicing Chartered Accountant (CASA) and auditor. The table below discloses information on Audit, Risk and ICT Committee members:

Name	Internal or external	If internal, position in the public entity	Appointed	Term ended	Number of meetings attended
Dawood Coovadia	External	Independent	1 September 2014	-	7
Mbali P Myeni*	Internal	Board member	29 October 2020	-	2
Themba C Dubazana	Internal	Board member	1 April 2020	-	7
Mmatsie S Mooki	Internal	Board member	1 April 2020	-	7

Due to financial constraints the Board was unable to appoint an external committee member with ICT expertise. However, to comply with the committees' membership requirement as per its approved charter, Board member Mbali P Myeni was re-appointed as a fourth member of the Audit, Risk and ICT Committee in October 2020 and attended only two of the seven meetings of this committee for the period under review.

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

7 COMPLIANCE WITH LAWS AND REGULATIONS

The following legislation is applicable:

Constitution of the Republic of South Africa, 1996

Local Government: Municipal Demarcation Act 27 of 1998

Local Government: Municipal Structures Act 117 of 1998

Local Government: Municipal Systems Act 32 of 2000

Generally Recognised Accounting Practice

Income Tax Act 58 of 1962

Public Finance Management Act 1 of 1999, as amended

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

Preferential Procurement Policy Framework Act 5 of 2000

All practice notes on Supply Chain Management Act

Employment Equity Act 55 of 1998

Basic Conditions of Employment Act 75 of 1997

Labour Relations Act 88 of 1998

Promotion of Administrative Justice Act 1 of 2000

Promotion of Access to Information Act 2 of 2000

8 FRAUD AND CORRUPTION

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

The Fraud Prevention Policy and the Fraud Prevention Plan provide internal controls to detect and prevent fraud and corruption.

The controls include creating awareness, policies and procedures, segregation of duties, internal audit, ongoing risk assessment and a mechanism for reporting and monitoring allegations.

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

9 MINIMISING CONFLICT OF INTEREST

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

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

10 CODE OF CONDUCT

The MDB has an approved Code of Conduct and Ethics Policy based on honesty and integrity. It is a guide to Board members, management and employees on the ethical behaviour expected of them, in both their individual conduct and their relations with others.

Relations include those with stakeholders such as the legislature, the public, fellow employees and other organs of state.

11 COMPANY SECRETARY

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

The Company Secretary is in the office of the Chairperson and is responsible for the operations of the board, including secretarial and administrative support.

In compliance with good corporate governance, the Company Secretary also facilitates self-assessment of the Board and its committees, and financial disclosures by the Board. The responsibilities of this position are strategic and incorporate all corporate governance matters and adherence to the legislative imperatives of the King IV Report.

12 AUDIT, RISK AND ICT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

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

1. Audit, Risk and ICT Committee Charter

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

2. Role and responsibilities

2.1. Statutory duties

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

Evaluation of Annual Financial Statements

The Audit, Risk and ICT Committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Authority the audited Annual Financial Statements to be included in the annual report;
- Reviewed the Auditor-General's audit report, the management letter and management responses thereto, and
- Reviewed accounting policies and practices.

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

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

The committee, in consultation with the Accounting Officer, agreed to the engagement letter, terms and strategic audit plan, and recommended the budgeted audit fees for the 2020/21 financial year to the Accounting Officer. The committee confirms that there were no non-audit services provided by the external auditor for the period under review.

Effectiveness of internal controls

The Audit, Risk and ICT Committee oversaw the performance by internal audit of a written assessment of the effectiveness of the institution's systems of internal control and risk management. This written assessment formed the basis for the Audit, Risk and ICT Committee's recommendation to the Board.

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

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

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

Whistleblowing

The Audit, Risk and ICT Committee receives and deals with any concerns or complaints, whether from within or outside the organisation. During the year, one matter came to the attention of the committee. This matter was investigated by the internal auditors and dealt with accordingly.

2.2. Duties assigned by the Board

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

Corporate governance

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

Governance of risk

The Audit, Risk and ICT Committee performs oversight of risk management processes within the institution. It monitored the significant risks faced by the institution and it is satisfied that these risks were managed effectively. The organisation implements a Risk Management Strategy, which includes a Fraud Prevention Plan.

In-year management and quarterly reports in terms of the PFMA

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

Internal audit

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

The committee considered and approved the internal audit charter and is satisfied that the internal audit plan was executed accordingly.

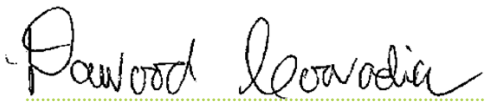
The internal audit function reports centrally, with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the organisation's operations. The internal auditors are responsible for reporting regularly to the Audit, Risk and ICT Committee the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

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

On behalf of the Audit, Risk and ICT Committee:

Dawood Coovadia
Chairperson: Audit, Risk And Ict Committee
Municipal Demarcation Board

30 JULY 2021



13 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

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

PART E

HUMAN RESOURCE MANAGEMENT

1 INTRODUCTION

During the period under review:

- Approval was granted to conduct a Job Evaluation for all positions below SMS comparatively in the MDB's organisational structure.
- A total of 37 positions on the approved organisational structure were re-graded with full effect from 01 April 2020 resulting in 33 positions being upgraded, one downgraded and three posts remaining on same level.
- The MDB's organisational structure consists of 50 approved posts with 47 filled posts, one vacant and two unfunded positions, translating into a vacancy rate of 2%.
- Due to national lockdown regulations, the MDB had to amend its office working conditions and employees work on a rotational schedule at the office, thereby ensuring all protocols are complied with.
- Two employee health and wellness initiatives were conducted.
- The annual employment equity report was submitted to the Department of Labour as per legislated timeframes.

The entity faced the following challenges:

Limitations in establishing a full-scale research capacity to conduct, among others, research work and municipal capacity assessments, and establishing a regional footprint to enhance stakeholder engagement, public participation, education and awareness in demarcation processes that are key in the delivery of its mandate due to financial constraints.

2 HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel cost by programme

Programme/ activity	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee
	R'000	R'000			R'000
Administration	39 474	20 995	53%	29	724
Demarcation and Spatial transformation excellence	17 914	10 359	58%	13	797
Research, Spatial information and Intelligence development	2 726	2 632	97%	3	877
Stakeholder engagement and partnership	4 346	1 803	41%	2	902
Total	**64 460**	**35 789**	**56%**	**47**	**761**

Personnel cost by salary band

Level	Personnel expenditure	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
	R'000			R'000
Top management	5 003	14%	3	1 668
Senior management	8 380	23%	7	1 197
Professionally qualified	13 852	39%	18	770
Skilled	8 554	24%	19	450
Total	**35 789**	**100%**	**47**	**761**

Performance rewards

Level	Performance reward	Personnel expenditure	% of performance reward to total personnel cost
	R'000	R'000	
Top management	61	5 003	1.2%
Senior management	78	8 380	0.9%
Professionally qualified	48	13 852	0.3%
Skilled	16	8 554	0.1%
Total	**203**	**35 789**	**0.5%**

Note: In terms of the DPSA determination the percentage allocated for the payment of performance bonuses have been reduced and adjusted to 0.5% of the remuneration budget for 2020/2021 financial year and will be adjusted to zero in 2021/2022 financial year.

Performance rewards

Programme/ activity	Personnel expenditure	Training expenditure	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
	R'000	R'000			R'000
Administration	21 547	85	0.4%	14	6
Demarcation and Spatial transformation excellence	10 490	77	0.7%	9	9
Research, Spatial information and Intelligence development	2 682	-	-	-	-
Stakeholder engagement and partnership	1 863	19	1.0%	2	10
Total	**36 582**	**181**	**0.5%**	**25**	**7**

Employment and vacancies

Programme	2019/20 number of employees	2019/20 approved posts	2020/21 number of employees	2020/21 vacancies	% of vacancies
Administration	29	30	29	1	3%
Demarcation and Spatial transformation excellence	12	14	13	-	-
Research, Spatial information and Intelligence development	3	3	3	-	-
Stakeholder engagement and partnership	2	2	2	-	-
Total	**46**	**49**	**47**	**1**	**2%**

Note: Funds for Assistant Board Secretary and Determination and Delimitation Specialist were used to create a new Senior Manager position. Currently the MDB has 50 posts, two are unfunded and one vacant.

Programme	2019/20 number of employees	2019/20 approved posts	2020/21 number of employees	2020/21 vacancies	% of vacancies
Top management	3	4	3	1	25%
Senior management	7	7	7	-	-
Professionally qualified	18	18	18	-	-
Skilled	18	19	19	-	-
Subtotal permanent employees	***46***	***49***	***47***	***1***	***2%***
Fixed-term contract employees	-	-	-	-	-
Internship programme	-	-	-	-	-
Subtotal contract employees	-	-	-	-	-
Total	**46**	**49**	**47**	**1**	**2%**

Note: Funds for Assistant Board Secretary and Determination and Delimitation Specialist were used to create a new Senior Manager position. Currently the MDB has 50 posts, two are unfunded and one vacant.

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	3	-	-	3
Senior management	7	-	-	7
Professionally qualified	18	-	-	18
Skilled	18	1	-	19
Total	**46**	**1**	**-**	**47**

Note: One Top Management position remains vacant due to an ongoing Commission for Conciliation, Mediation and Arbitration matter.

Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	-	-
Resignation	-	-
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of contract	-	-
Other	-	-
TOTAL	**-**	**-**

Labour relations: Misconduct and disciplinary action

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

Equity target and employment equity status

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	-	-	-	-
Senior management	5	-	-	-	1	-	-	-
Professionally qualified	8	-	-	-	-	-	1	-
Skilled	5	-	-	-	-	-	-	-
Total	**20**	**-**	**-**	**-**	**1**	**-**	**1**	**-**

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	-		-	-		-
Senior management	1		-	1	-	-		-
Professionally qualified	6	-	-	-	1	-	2	-
Skilled	13	-	1	-		-		-
Total	**21**	**-**	**1**	**-**	**1**	**-**	**2**	**-**

Level	STAFF WITH DISABILITIES			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Total	**-**	**-**	**-**	**-**

PART F

FINANCIAL INFORMATION

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 66 to 88, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Demarcation Board as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting officer is responsible for assessing the constitutional institution's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the constitutional institution or to cease operations, or has no realistic alternative but to do so.

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

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the constitutional institution's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the constitutional institution enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the constitutional institution for the year ended 31 March 2021:

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

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

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Programme 2 – Demarcations

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 31 to 39 for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of a target.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the constitutional institution's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

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

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

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

22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Report on the audit of compliance with legislation

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

Pretoria

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31 JULY 2021

Auditor-General

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:

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

My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a constitutional institution to cease operating as a going concern.

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Annual financial statements for the year ended 31 March 2021

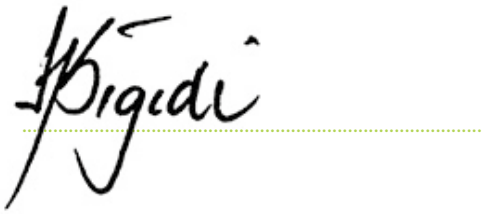
INDEX

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

Statement of Financial Position....66
Statement of Financial Performance....67
Statement of Changes in Net Assets....68
Cash Flow Statement....69
Accounting Policies....70
Notes to the Annual Financial Statements....77

The Annual Financial Statements set out on pages 66 to 88, which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2021 and were signed on its behalf by:

Muthotho Sigidi
Chief Executive Officer
Municipal Demarcation Board



STATEMENT OF FINANCIAL POSITION

	Note(s)	2021 R'000	2020 R'000
Assets			
Current Assets			
Inventories	3	281	319
Receivables from exchange transactions	4	1 009	1 341
Cash and cash equivalents	5	25 848	25 192
		27 138	**26 852**
Non-Current Assets			
Property, plant and equipment	6	2 184	2 551
Intangible assets	7	1 092	932
Warranties	8	1	6
		3 277	**3 489**
Total Assets		**30 415**	**30 341**
Liabilities			
Current Liabilities			
Operating lease liability	9	419	225
Payables from exchange transactions	10	4 332	3 661
Provisions	11	194	981
		4 945	**4 867**
Total Liabilities		**4 945**	**4 867**
Net Assets		**25 470**	**25 474**
Accumulated surplus		25 470	25 474

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2021 R'000	2020 R'000
Revenue			
Revenue from exchange transactions			
Interest received - investment	12	657	1 041
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	13	63 017	64 268
Other non-exchange revenue		6	21
Total revenue from non-exchange transactions		**63 023**	**64 289**
Total revenue	14	**63 680**	**65 330**
Expenditure			
Employee Costs	16	(36 091)	(32 366)
Depreciation and amortisation	17	(1 244)	(1 152)
Other operating expenses	18	(5 408)	(7 887)
Administrative Costs	19	(20 927)	(15 059)
Total expenditure		(63 670)	(56 464)
Gain/(Loss) on disposal of assets	15	**(12)**	**-**
Surplus / (Deficit) for the period		**(2)**	**8 866**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R '000	Total net assets R '000
Balance at 01 April 2019	**16 607**	**16 607**
Surplus / (Deficit) for the year	8 865	8 865
Total changes	8 865	8 865
Balance at 01 April 2020	**25 472**	**25 472**
Surplus / (Deficit) for the year	(2)	(2)
Total changes	(2)	(2)
Balance at 31 March 2021	**25 470**	**25 470**

CASH FLOW STATEMENT

	Note(s)	2021 R'000	2020 R'000
Cash flows from operating activities			
Receipts			
Government Grant Received		63 017	64 268
Interest received		727	1 018
Conditional Grant Received		-	-
Other Revenue		6	21
Other cash receipts		-	-
		63 750	65 307
Payments			
Cash paid to employees and suppliers		(62 037)	(55 709)
Net cash flows from operating activities	20	**1 713**	**9 598**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(666)	(1 391)
Purchase of other intangible assets	7	(385)	(682)
Other cash item		(6)	12
Net cash flows from investing activities		**(1 057)**	**(2 061)**
Net increase / (decrease) in cash and cash equivalents		**656**	**7 537**
Cash and cash equivalents at the beginning of the period		25 192	17 655
Cash and cash equivalents at the end of the period	5	**25 848**	**25 192**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Significant judgments include:

Impairment testing

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

Useful lives of property, plant and equipment and intangible assets

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

1.4 Intangible assets (Continued)

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

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

Intangible assets are derecognised:

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

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

1.5 Financial instruments

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

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

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

A financial asset is:
- cash and cash equivalents;

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

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

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

Initial recognition and measurement.

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

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

Financial instruments are measured initially at fair value.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Receivables from exchange transactions

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

Payables from exchange transactions

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

1.5 Financial instruments (continued)

Cash and cash equivalents

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

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

Impairment and uncollectibility of financial assets.

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

Impairment losses are recognised in surplus or deficit.

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

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

Derecognition

Financial assets

The MDB derecognises financial assets using trade date accounting.

The MDB derecognises a financial asset only when:

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

Financial liabilities

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

1.6 Leases

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

Operating leases - lessee

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

1.7 Inventories

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

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

1.8 Employee benefits

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

1.9 Provisions and contingencies (Continued)

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

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

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

1.10 Revenue from exchange transactions

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

Measurement

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

Sale of goods

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

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

Interest

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

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

1.11 Revenue from non-exchange transactions

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

Recognition

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

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

Measurement

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

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

1.12 Comparative figures

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

1.13 Fruitless and wasteful expenditure

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

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

1.14 Irregular expenditure

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

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

1.15 Related parties

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

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

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

1.16 Prior year errors

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

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

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

1.17 Going Concern

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

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

Functional and presentation currency

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25	01 April 2021	Unlikely there will be a material impact
GRAP 104	01 April 2021	Unlikely there will be a material impact

	2021 R'000	2020 R'000
3. Inventories		
Inventories	281	319
Inventory reconciliation		
Opening balance	319	250
Additions	58	294
Consumption	(96)	(225)
Closing balance	**281**	**319**
4. Receivables from exchange transactions		
Deposits	20	-
Interest income accrued	50	120
Prepaid expenses	862	951
Staff debtors	77	120
SARS - PAYE receivable	-	150
	1 009	**1 341**
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand- Petty Cash	1	3
Bank balances- Main Account	100	139
Short-term deposits- Call Account	25 747	25 050
	25 848	**25 192**

6. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 115	(1 635)	480	2 161	(1 540)	621
Motor vehicles	656	(520)	136	656	(483)	173
Office equipment	256	(198)	58	259	(178)	81
Computer equipment	3 400	(2 089)	1 311	3 553	(1 989)	1 564
Leasehold improvements	2 468	(2 269)	199	2 558	(2 446)	112
Total	**8 895**	**(6 711)**	**2 184**	**9 187**	**(6 636)**	**2 551**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	621	-	(1)	(140)	480
Motor vehicles	173	-	-	(37)	136
Office equipment	81	-	-	(23)	58
Computer equipment	1 564	527	-	(780)	1 311
Leasehold improvements	112	139	(11)	(41)	199
	2 551	**666**	**(12)**	**(1 021)**	**2 184**

Reconciliation of property, plant and equipment - 2020

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

Repairs and Maintenance

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

7. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	2 584	(1 492)	1 092	2 469	(1 537)	932

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Computer software	932	385	-	(225)	1 092

Reconciliation of intangible assets - 2020

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

8. 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.

	2021 R'000	2020 R'000
9. Operating lease Liability (accrual)		
Non-current liabilities	-	-
Current liabilities	419	225
	419	**225**
10. Payables from exchange transactions		
Trade payables	771	1 220
Leave Accrual	3 561	2 441
	4 332	**3 661**

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.

11. Provisions

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonus	981	194	(180)	(801)	194

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonus	986	958	(963)	-	981

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

	2021 R'000	2020 R'000
12. Interest received		
Interest revenue		
Bank	657	1 041
13. Government grants		
Operating grants		
National Department of Cooperative Governance and Traditional Affairs	63 017	64 268
14. Revenue		
Bank Interest received	657	1 041
Government grants	63 017	64 268
Other non-exchange revenue	6	21
	63 680	**65 330**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received and other Income	657	1 041
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	63 017	64 268
Other non-exchange revenue	6	21

	2021 R'000	2020 R'000
15. Gains/(Loss) on disposal of assets		
Insurance Proceeds	-	57
Loss on Disposal of Assets (PPE)	(12)	(44)
	(12)	**13**
16. Employee benefit costs		
Basic	24 217	20 442
Bonus *	(607)	958
UIF	82	83
Leave payments	45	181
Leave expenses	1 120	906
Travel, motor car, accommodation, subsistence and other allowances	36	175
Overtime payments	-	21
Other Non-Pensionable Allowance	10 194	8 648
Insurance Cover	882	806
Other Salary Related Costs	122	148
	36 091	**32 368**

Employee cost Detail

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

	2021 R'000	2020 R'000
17. Depreciation and amortisation		
Computer Software	225	238
Furniture and fixtures	140	152
Computer equipment	779	678
Leasehold improvements	41	26
Motor vehicles	37	37
Office equipment	22	21
	1 244	**1 152**

	2021 R'000	2020 R'000
18. Other Operating Expenses		
Consumables	57	104
Courier and delivery charges	62	122
License renewal	1 579	859
Rental of building	3 257	3 328
Repairs and maintenance	86	104
Travel and accommodation	367	3 370
	5 408	**7 887**
19. Administrative Costs		
Advertising	1 841	1 333
External Audit Fees	1 691	1 794
Internal Audit Fees	876	309
Bank charges	27	38
Conferences and seminars	-	354
Legal fees	562	916
Insurance	250	228
Printing and stationery	376	504
Telephone and fax	137	155
Publications, notices and gazettes	6 673	482
Employee training fees	374	331
Other consulting	532	855
Security services	941	698
Members allowance	4 856	4 809
Stationery	84	254
Recruitment costs	1	41
Employee Assistance Programme	45	24
Other expenses	1 661	1 934
	20 927	**15 059**

20. Cash generated from operations

	2021 R'000	2020 R'000
Surplus/(Deficit)	(2)	8 865
Adjustments for:		
Depreciation and amortisation	1 244	1 153
Gain/(Loss) on sale of assets	12	-
Movements in operating lease assets and accruals	194	80
Movements in provisions	(787)	(5)
Changes in working capital:		
Inventories	38	(69)
Receivables from exchange transactions	332	(900)
Payables from exchange transactions	671	474
Recoveries from staff debtors	11	-
	1 713	**9 598**

21. Financial instruments

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	70	70
Cash and cash equivalents	25 848	25 848
	25 918	**25 918**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	771	771

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	270	270
Cash and cash equivalents	25 192	25 192
	25 462	**25 462**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 220	1 220

	2021 R'000	2020 R'000

22. Commitments

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

Operating leases - the MDB as lessee

Minimum lease payments due

- within one year	2 610	2 463
- in second to fifth year inclusive	6 444	9 053
	9 054	**11 516**

Other commitments (Contracts and open PO)

Other Commitments	**5 567**	**10 123**

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

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

23. Contingent liabilities

A case against the MDB has been opened with the High Court by a bidder who was unsuccessful. The tender relates to the office building lease for 5 years. The possibility of a potential liability cannot be ascertained at the moment and cannot be reasonably estimated.

24. Related parties

Relationships

Non-Executive Members	Refer to members' report note 25
Members of key management	Refer to members' report note 25
Other entities in public sphere	National Department of Cooperative Governance and Traditional Affairs

Related party transactions

National Department of Cooperative Governance and Traditional Affairs	**63 017**	**64 268**

25. Emoluments

Executive members

2021

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

2020

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

Non-executive members

2021

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

2020

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

Non-executive members Details

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

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

26. Change in estimates

Property, plant and equipment

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

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

Depreciation	Furniture and fittings	Office equipment	Computer equipment	Total
Before changes in useful lives	39	5	91	135
After changes in useful lives	(10)	(1)	(23)	(34)
	29	**4**	**68**	**101**

Intangible assets

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

Amortisation	Computer software	Total
Before changes in useful lives	53	53
After changes in useful lives	(13)	(13)
	40	**40**

27. Risk management

Financial risk management

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

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

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

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

At 31 March 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	771	-	-

At 31 March 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	**1 220**	-	-

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.

28. Fruitless and wasteful expenditure

	2021 R'000	2020 R'000
Opening balance as previously reported	5	7
Opening balance	5	7
Add: Fruitless and wasteful Expenditure - current	12	15
Less: Amounts recovered	(1)	-
Less: Amounts recoverable - current	(11)	(6)
Less: Amounts recoverable - prior period	-	(2)
Less: Amount written off - current	-	(9)
Less: Amount written off - prior period	(5)	-
Closing balance	**0**	**(5)**

Current year
R756.40 Tenders for Graphic design and Media monitoring had to be republished due to the error in the contract duration. The tender was erroneously advertised with a contract duration of 24 months instead of 36 months. The amount has been recovered from the responsible officials.

R2774.20 Notices had to be re-issued due to errors in the first issue. The amount will be recovered from the responsible officials.

R8070.47 Error on the final publication of Government Gazette. The error could have been avoided should reasonable care been taken. The amount will be recovered from the responsible officials.

29. Irregular expenditure

Opening balance as previously reported	6 970	26 204
Add: Irregular Expenditure - current year	-	136
Opening balance	**6 970**	**26 340**
Add: Irregular Expenditure - current (prior-year non-compliance)	398	2 125
Less: Amounts condoned	(300)	(21 495)
Closing balance	**7 068**	**6 970**

NOTES

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