mdb
municipal demarcation board

ANNUAL REPORT

2024/25

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PART A

GENERAL INFORMATION

1 ADMINISTRATION AND CORPORATE INFORMATION

Registered Name	The Municipal Demarcation Board
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Postal Address	Private Bag X123 Centurion, 0046, South Africa

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Facsimile:	+27 12 342 2480
Email:	info@demarcation.org.za
Website	www.demarcation.org.za
External Auditor	Auditor-General South Africa
Bankers	Absa Bank Limited
Board Secretary	Ms Nikiwe Chauke

The 2024/25 MDB Annual Report is also available on **www.demarcation.org.za**

2 LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AOP	Annual Operational Plans, normally programme based
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
Board	The Board established in terms of Section 2 of the Municipal Demarcation Act and composed of members appointed by the President of the Republic of South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
DPSA	Department of Public Service and Administration
FY	Financial Year
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
IEC	Electoral Commission of South Africa
ICT	Information and Communications Technology
IMDA	Independent Municipal Demarcation Authority Bill
IUDF	Integrated Urban Development Framework
LM	Local Municipality
DM	District Municipality
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, as amended
MTBPS	Medium-Term Budget Policy Statement
MTDP	Medium-Term Development Plan
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NSP	National Strategic Plan
NSDF	National Spatial Development Framework
NT	National Treasury
PFMA	Public Finance Management Act 1 of 1999
SAAPAM	South African Association of Public Administration and Management
SALGA	South African Local Government Association
SCM	Supply Chain Management
SCOBA	Standard of comparison of budget and actual
TR	Treasury Regulations

3 FOREWORD BY THE CHAIRPERSON

As the Board completes the first year of its five-year term of office, it is a privilege and pleasure to present the Municipal Demarcation Board's (MDB) Annual Report for the fiscal year 2024/25 to key stakeholders and the public.

The Municipal Demarcation Board (MDB) maintained a strong organizational and financial standing during the 2024/25 financial year. While the entity's overall performance remains commendable, there was a slight regression in the achievement of Annual Performance Plan (APP) targets. Out of the 17 planned output indicators, the MDB fully achieved 15, translating to an 88 percent achievement rate. The MDB is committed to restoring its exemplary performance record by strengthening performance information monitoring and evaluation processes. For the 2024/25 financial year, the Auditor-General of South Africa (AGSA) expressed an unqualified audit outcome with no findings (clean) which is an improvement from the 2023/24 financial year.

For the period under review, the MDB commenced the process to delimit wards, in preparation for the next local government elections, with extensive awareness campaigns. Successful completion of the ward delimitation process will ensure that spatially contiguous wards are delimited for all municipalities and proclaimed at least six months before the 2026 Local Government Elections (LGE) to allow the Electoral Commission of South Africa (IEC) to arrange LGE. The process of ward delimitation starts with the Minister responsible for local government publishing the formula for determining the number of councillors, a process concluded during Q3 of 2024/25. Thereafter and also during Q3 of 2024/25, the MECs responsible for local government utilise the formulae to determine the number of councillors for all municipalities in their respective provinces. The MDB will, effectively from 1 April 2025, take the number of councillors and determine the number of wards. Half the number of councillors determined by the MEC are ward councillors. That means the MDB must determine that number of wards and the public engagements, the latter is not a legal requirement for the ward delimitation process as espoused in terms of schedule 1 of the Local Government: Municipal Structures Act 117 of 1998, but an MDB initiative meant to enhance citizen engagement in the process.

Education and awareness consultations on the ward delimitation process were held in local and metropolitan municipalities to address any ignorance and counter misinformation. Following this, these municipalities participated in technical ward configuration consultations. A variety of stakeholders, including but not limited to traditional leaders, ward committee representatives, community development workers, municipal councillors and officials, as well as political parties, took part in these consultation sessions.

The MDB is pleased with the response and interest shown in the process, as evidenced by the attendance and active, enthusiastic participation during consultation processes. The importance of effective stakeholder engagement and management, communication, public consultation, and a fit-for-purpose public participation strategy cannot be underestimated. However, in some regions, the Board is concerned that stakeholder cooperation and coordination are being challenged, as evidenced by the continuing strife and discontent.

The reality is that communication, public participation, and stakeholder consultation processes will be negatively affected due to the reduced budget allocation over the Medium-Term Expenditure Framework (MTEF). The MDB lacks sufficient funds for publishing legal notices for final wards. Linked to insufficient funding, the MDB remains constrained as its longstanding objective for regionalisation to improve its regional footprint remains unattained. Despite this, the MDB continues to engage with relevant authorities in the government, including the National Treasury, to secure the much-needed funding.

The MDB will continuously strive to support the resolution of spatial and socio-economic challenges resulting from demarcation processes. However, it needs to maintain its independence and integrity whilst executing its mandate.

During the year under review, the MDB opted to augment its research output by conducting research on three deferred municipal outer boundary re-determination proposals, producing reports thereof. These were:

I. Proposed de-amalgamation of JB Marks Local Municipality (DEM8001).
II. Proposed de-amalgamation of City of Mbombela Local Municipality (DEM 7751).
III. Assessing the impact of de-amalgamating the Maluti-a-Phofung Local Municipality (DEM6781/ DEM6782).

In line with the Board's immediate commitment in 2024, a new strategy for the fiscal years 2025 to 2030 has been developed to realign the institution's vision and chart a new course that guides the efficient execution of the MDB's mandate and defines its role as a key player in enhancing local democracy. We aim to ensure that the MDB's spatial transformation agenda complements and adds value to the priorities of the 7th administration of government and aligns with the objectives of the 2024-2029 Medium-Term Development Plan (MTDP), National Development Plan (NDP), Medium-Term Strategic Framework (MTSF), and others.

Our appreciation extends to the Portfolio Committee on CoGTA and the Minister of CoGTA for their ongoing guidance. The contributions of the Board members are recognised and valued. Lastly, we thank the MDB's CEO, Management, and staff for demonstrating due diligence and ongoing dedication to fulfilling the institution's mandate.

Thabo Manyoni
Chairperson
Municipal Demarcation Board
31 July 2025

4 CHIEF EXECUTIVE OFFICER'S OVERVIEW

As we reflect on the past financial year, I am proud to report that the organisation remained dedicated to fulfilling its mandate, guided by our intended impact and outcomes, and committed to service excellence. Our operations were conducted in accordance with the Public Finance Management Act (PFMA) and other applicable regulatory frameworks, reinforcing our commitment to good governance, accountability, and prudent financial management. This compliance not only enhances stakeholder confidence but also ensures that our activities meaningfully contribute to broader developmental goals.

The Municipal Demarcation Board's constitutional mandate is derived from sections 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, as amended (MSA) and includes the following:

- Delimitation of municipal ward boundaries;
- Determination of municipal outer 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.

General financial review

Revenue for the year under review amounted to R77 507 million compared to R75 593 million in the 2023/24 financial year. The MDB's main source of revenue is a government grant, which accounts for 95 percent of its total revenue. The remainder consists of interest income generated by the bank.
Total expenditure for the year under review amounted to R81 038 million, compared to R75 828 million in the 2023/24 financial year. The negative variance of R3 531 million between revenue and expenditure is mainly due to the ward delimitation process and stakeholder engagement.

Spending trends

The table on the next page presents the year-on-year change in expenditure and income trends:

	2022		2023		2024		2025	
	R'000	%	R'000	%	R'000	%	R'000	%
Income	**71 425**	**12%**	**75 991**	**-6%**	**75 593**	**1%**	**77 507**	**3%**
Voted funds	70 601	12%	74 340	-5%	73 104	2%	74 191	-1
Other income	824	24%	1 651	-100%	2 489	-51%	3 316	-33

	2022		2023		2024		2025	
	R'000	%	R'000	%	R'000	%	R'000	%
Expenditure	**59 817**	**-6%**	**64 071**	**-25%**	**74 374**	**16%**	**81 038**	**9%**
Board members Remuneration	4 182	-14%	4 259	2%	5 079	19%	4 448	-12%
Salaries	35 874	-1%	38 461	7%	46 101	20%	45 460	-1%
Project expenses	-	-	-	-	-	-	-	-
Advertisement and promotion	3 503	90%	3 466	-1%	4 003	15%	1 351	-66%
Lease payment	3 293	1%	3 332	1%	3 385	3%	3 703	9%
Publications	-	-	102	-61%	191	87%	125	-35%
Audit	2 249	14%	2 177	-3%	2 668	23%	4 049	52%
Travel cost	488	-25%	1 371	181%	3 553	159%	5 965	68%
Other operating expenses	10 228	-177%	10 903	100%	9 346	-14%	15 937	71%
Surplus/deficit for the period	**11 456**	**-**	**10 485**	**-**	**1 219**	**-**	**3 531**	**-**

During the period under review, the MDB fully achieved 15 of its 17 planned targets set for output indicators in its 24/25 Annual Performance Plan, resulting in an overall achievement rate of 88 percent for the year under review.

This performance level is lower than that of the previous financial year. The two unachieved indicators are:

- Programme 1: Administration - Audit opinion expressed by the AGSA.
- Programme 3: Research, Spatial information and Intelligence development – Updated capacity assessment data available.

During the financial year under review, the institution did not have any vacancies in top management positions. This allowed the MDB to operate with a high degree of stability.

Capacity constraints and challenges

The entity continues to be financially constrained as reflected in the table detailing spending trends located above, where a negative variance between revenue and expenditure has been recorded. The constraint not only affects the ward delimitation project, especially the publication of notices, that the MDB is undertaking for the period 2024 to 2026, but also affects the envisaged regionalisation process, the desire to have provincial offices, and the expansion of personnel, as well as the maximisation of services. Proposed budget baselines were substantially lower than anticipated during the 2024 budget allocation. Even though numerous engagements with the National Treasury to upwardly adjust MDB's budget allocation to fund the expansion of the organisational structure, its budget allocation was reduced by R7,7 million over the MTEF period to add to the IEC shortfalls.

Discontinued key activities/ activities to be discontinued

Despite the challenges, none of the key activities/ programmes were discontinued.

New activities

The MDB's future plans are included in the Strategic Plan for 2025 to 2030 and the APP for 2025/26. These activities are aligned with government priorities as outlined in the Medium-Term Strategic Framework (MTSF) and National Strategic Plan (NSP). No new activities/programmes were introduced in the 2024/25 financial year.

Request for roll over of funds

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 National Treasury (NT) as required. There are three committees that assist with 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 National Treasury's SCM prescripts.

Challenges experienced and resolved

Audit report matters in the previous year

	Matters raised by the Auditor General in 2023/24	Management action implemented	Status (Resolved, Partially resolved or Unresolved)
1.	Incomplete Financial Statements	Correcting journals were performed to ensure the accuracy of financial statements. Assessment was performed with auditors to reconcile GL1 and GL 2.	Resolved
2.	Policies and procedures	Issue 1: Policies not reviewed as required #1: During the review of the Risk Management Policy and Risk Management strategy in 2024, the frequency of the policy was corrected to align with the risk management strategy. Please see the attached policy reviewed and approved in 2024. #2: The review of the Municipal Boundary Redetermination Policy is planned for the 2024/25 financial year as reflected in the MDB 2024/25 Annual Performance Plan #3 and #4: Management will be briefed quarterly on policies and SOPs due for review in the following quarter. Issue 2: Draft received Management will ensure that the Internal Audit Charter 2023 is signed and filed for record. Management will further ensure that any new Internal Audit Charter is appropriately signed and filed. Issue 3: Completeness of MDB policy register. End users to furnish Legal unit with signed/approved policies immediately to update the register. Issue 4: No policies or SOPs. The SOPs will be developed by the end of quarter 3.	Resolved
3.	Petty Cash – No reconciliations performed	Petty cash reconciliations to be compiled, performed and reviewed monthly.	Resolved
4.	Limitation of scope – RFI 13	Management will ensure that outstanding information is submitted and comments where necessary are provided.	Resolved

	Matters raised by the Auditor General in 2023/24	Management action implemented	Status (Resolved, Partially resolved or Unresolved)
5.	Disclosure notes that were omitted from the annual financial statements and or the annual report.	The annual financial statements will be amended to include the omitted SCOBA and disclosures. Management will ensure that such omissions do not recur in future.	Resolved
6.	No comparison of actual performance against planned targets and prior year performance	The 2023/24 APR will be amended to present the audited actual achievement in the previous financial periods, which are consistent with the previous annual reports. Controls and reviews will be implemented or enhance to ensure that the APR is presented in line with the NT guide.	Resolved
7.	Inadequate implementation of controls in place to confirm accuracy and completeness of contract register	Management will ensure that reporting of deviation will also be extended to AGSA.	Resolved
8.	Non-compliance identified in the audit of procurement and contract management	MDB SCM Policy and Standard Operating Procedures shall be revised to reflect current policies. To the extent applicable, consequence management shall be implemented and retraining of SCM personnel shall also be applied to avoid any future occurrence.	Resolved
9.	Material changes to the financial statements	Management performed the following in response to the finding: 1. Disclosure statement and disclosure notes were included in the adjusted Annual Financial Statement. 2. Material adjustments were made to the Annual Financial Statements on payables from exchange transactions and commitments.	Resolved

Internal audit services are outsourced. The internal audit services received have been effective and were valuable and contributed to the audit opinion received over the past years.

Plans to address financial challenges

In terms of Section 36 of the MDA, the MDB is given the right 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(s) 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.

Events after the reporting date

There were no significant events after the reporting date.

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.

Manye Moroka
Chief Executive Officer
Municipal Demarcation Board
31 July 2025

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

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2025.

Regards

Manye Moroka
Chief Executive Officer
Municipal Demarcation Board
31 July 2025

Thabo Manyoni
Chairperson
Municipal Demarcation Board
31 July 2025

6 STRATEGIC OVERVIEW

6.1. Vision

Spatially transformed, just and sustainable communities.

6.2. 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.

6.3. Values

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

7 LEGISLATIVE AND OTHER MANDATES

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

The Constitution of the Republic of South Africa, 1996

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

Local Government: Municipal Demarcation Act 27 of 1998

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

Local Government: Municipal Structures Act 117 of 1998, as amended

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

Court rulings

- During the year under review there were no court rulings.
- However, in the past, there were several court rulings on decisions of the MDB. None of those rulings had any negative impact on the operations or service delivery obligations of the MDB. Instead, the courts have consistently affirmed the independence of the MDB and vindicated it on both procedural and substantive fairness. However, the MDB has learnt a few lessons from these litigations, particularly matters related to improved public participation and consultation in demarcation matters.

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

The following legislation and regulations are applicable:

Secondary legislation

- Municipal Electoral Act 27 of 2000;
- Promotion of Administrative Justice Act 1 of 2000;
- Promotion of Access to Information Act 2 of 2000;
- Promotion of Personal Information Act 4 of 2013;
- Basic conditions of employment Act 75 of 1998;
- Occupational Health and Safety Act 85 of 1995 and Regulations;
- Employment Equity Act 55 of 1998;
- Broad-based Black Economic Empowerment Act 53 of 2003;
- Preferential Procurement Policy Framework Act 5 of 2000, and
- Spatial Planning and Land Use Management Act 16 of 2013.

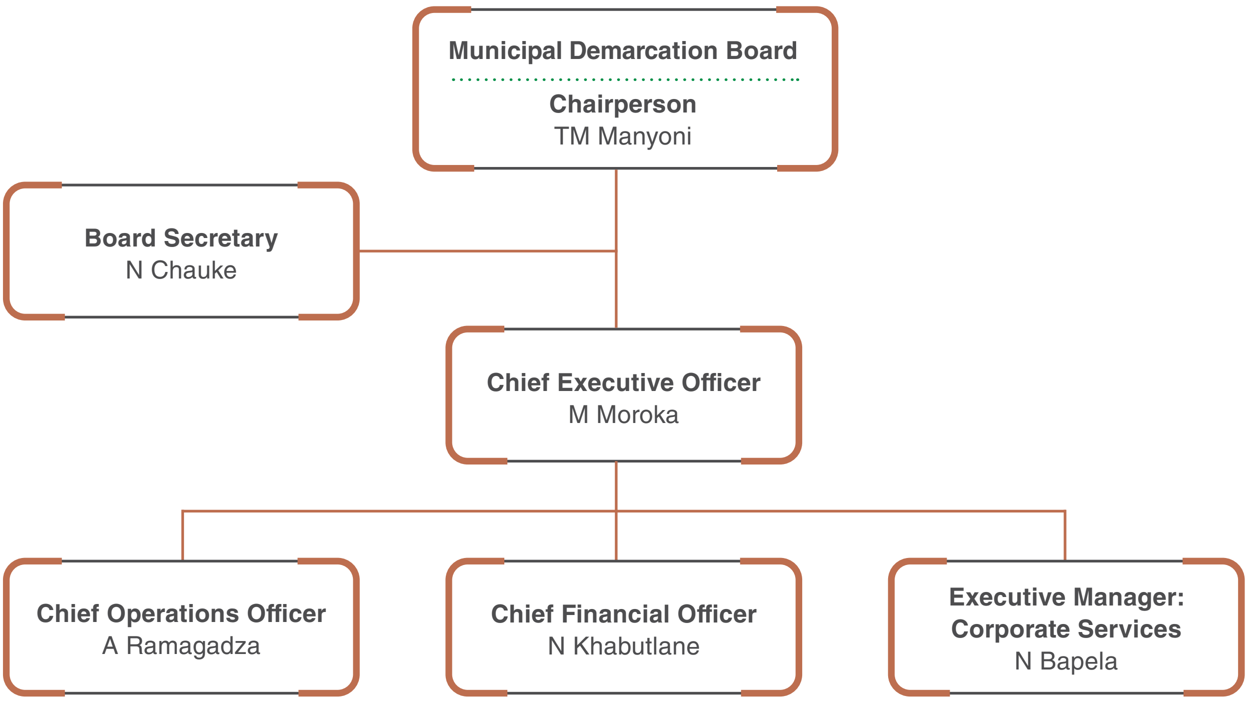
Other legislation observed

- Framework on Gender-Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing;
- National Strategic Plan on Gender-Based Violence and Femicide;
- White Paper on the Rights of Persons with Disabilities;
- National Youth Policy;
- Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000;
- National Policy Framework for Women Empowerment and Gender Equality, and
- Just Energy Transition Investment Plan.

Name of controlling entity

The Municipal Demarcation Board is an independent institution and is accountable to Parliament.

8 ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

1 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against 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 60 - of the Report of the Auditor-General, published under Part F: Financial Information.

2 OVERVIEW OF PERFORMANCE

2.1. Service delivery environment

The MDB is a schedule 1 Constitutional institution, exclusively responsible for re-determining municipal boundaries, categorising eligible municipal areas into metropolitan (Category A), district (Category C) and local (Category B) municipalities, delimiting wards, assessing the capacity of municipalities to perform their powers and functions, and rendering advisory services within the scope of its mandate. The institution operates in a complex environment and involves the actions of multiple stakeholders and partners across all three spheres of government. Intergovernmental relations and cooperative governance are central to ensuring efficient and effective delivery of end-to-end municipal demarcation outcomes. The MDB, therefore contributes to constitutional democracy by creating municipalities that would be functional and meet their obligations through the configuration of municipal and ward boundaries.

The MDB finds expression in the National Development Plan (NDP) as it relates to reducing spatial injustice, inequality and inefficiency. We are therefore committed to pursuing a national spatial vision as envisaged in the NDP, National Spatial Development Framework (NSDF) and Integrated Urban Development Framework (IUDF) to fundamentally transform South Africa's spatial past by steering urban growth towards a sustainable growth model of compact, connected and coordinated cities and towns. The MDB's role in delineating municipal boundaries is critical to achieving these goals, as demarcation influences access to services, development planning, and resource allocation. The IUDF's focus on spatial integration aligns closely with the MDB's objectives to promote municipalities that are economically viable and able to meet the needs of their populations.

During the 2024/25 period, MDB's critical mandate, the Ward delimitations process commenced. The successful completion of the ward delimitation process will ensure that wards for all municipalities that qualify to have wards are finalised/published at least six months before the 2026 LGE. The process of ward delimitation starts with the Minister responsible for local government publishing the formula for determining the number of councillors. Thereafter, the MECs responsible for local government utilise the formula to determine the number of councillors for all municipalities in their respective provinces. The MDB will take the number of councillors and determine the number of wards. Half the number of councillors determined by the MEC are ward councillors. That means the MDB must delimit that number of wards. Technical consultations with planning and geographical information management officials from municipalities allow the MDB to configure the draft wards by considering local inputs and addressing geographic barriers. The local consultative process intends to allow municipalities to show citizens in their areas what the MDB is proposing regarding wards in their municipalities.

To conclude the ward delimitation process, the MDB will hand over wards to the IEC in November/December 2025 to arrange the LGE taking place in 2026. The MDB has no direct role or participation in the planning and arrangement of national elections.

Ward Delimitation Process in terms of the Municipal Structures Amendment Act, 2021

1. IEC provides the municipal segment of the national common Voters' Roll Elections Act 73 of 1998
2. Minister of CoGTA determines formula for number of councillors for metros, districts and local municipalities MSA, Sections 20(1) & (2)
3. MEC's may deviate from the number of councillors for a municipality MSA, Sections 20(3), (4) & (5)
4. Municipal Demarcation Board undertakes the delimitation of ward boundaries MSA Schedule 1 (Sections 2-5)
5. MDB submits ward boundaries to IEC for local government elections

The ward delimitation education and awareness consultations conducted in/with all local and metropolitan municipalities again highlighted that the MDB is greatly dependent on municipalities for logistical arrangements in conducting its public participation and consultation processes. This is not ideal and often problematic, as some communities perceive their municipality as biased, selective, and uncooperative. These dependencies perpetuate perceptions that undermine the independence of the MDB and provide a compelling reason for the capacitation of the MDB to establish a localised footprint to get closer to communities and deepen local democracy and citizen participation. The challenge remains that MDB operates from one national office and does not have a presence in localities or regions. It is therefore unable to sufficiently tap into local knowledge and understanding until such time that correct enhancement steps are taken.

In line with the NDP's call for active citizen engagement and participation, the MDB is committed to continuously providing pertinent information to the public, all spheres of government, the private sector, and civil society. This not only deepens stakeholders' understanding of demarcation processes but also harnesses and inspires interest in the institution's ability to promote spatial transformation. Even though MDB processes affect all citizens of the country, the MDB acknowledges that the priorities of women, youth, and people with disabilities are often overlooked. In the 24/25 FY, there was a continued focus on education and awareness engagements that targeted these groups.

2.2. Organisational environment

The MDB is an independent authority, and all the members of the Board are appointed by the President of the Republic of South Africa. The Board must be impartial and perform its function without fear, favour or prejudice. The MDB Board has dual responsibilities, namely an organisational oversight role and an executive role in terms of demarcation processes.

The current Board members boast a complement of diverse expertise and experience, which is a crucial element required to amplify its constitutional obligations, whilst at the core, serving communities at large. The members are undoubtedly empowered to execute their governance and statutory roles efficiently and effectively to lead the MDB.

The MDB delivers on its mandate through an organisational structure consisting of 47 approved funded posts, of which one is vacant as of 31 March 2024. The current organisational structure does not allow for the growth and progression of employees. Additionally, the support structure of the entity is better resourced than the core division. This applies mainly to the finance component of the entity, where financial management controls dictate sufficient segregation of duties to ensure sound financial management practices. The support structure is completed by the Corporate Services Division, which provides human resource management and office administrative services.

The mandated work of the MDB undertaken by the Operations and Research Division is human resource-driven and labour-intensive. Permanent professional personnel are employed whose competencies, experience and expertise in demarcation processes and related legislation are specific to MDB and its environment. However, the progression of employees within the division and the organisation as a whole is hampered by the shortcomings of the finalisation of the organisational structure and positions within divisions.

Given the challenges raised above, MDB embarked on an organisational design (OD) project to address the long-standing realisation of the regionalisation strategy. The strategy would have an impact of creating an MDB footprint in the provinces/regions, creating opportunities for growth and progression of employees and aligning reporting structures, resulting in a revised organogram. The OD process is currently underway, serving before the Board Committee and would only be implemented upon Board approval and availability of financial resources. The implementation of the outcome of the OD process is, however, challenged by financial resources, as additional posts were created to give effect to the regionalisation strategy.

The MDB has demonstrated its financial prudence and effective internal control environment by receiving unqualified audit opinions with no findings for the consecutive 2018/19 to 2022/23 financial years. Similarly, it achieved more than 90 percent of its planned targets set for the APP output indicator for the period 2020/21 to 2023/24. For the period 2023/24, MDB's audit status regressed to an unqualified audit opinion with material findings on its financial statements, which were addressed during the reporting period. For the 2024/25 financial year, MDB recovered and again obtained an unqualified audit opinion with no findings and achieved 88 percent of its planned targets set for APP output indicators.

2020/21

Obtained unqualified audit opinion with no findings | Achieved 100% of output targets

2021/22

Obtained unqualified audit opinion with no findings | Achieved 95% of output targets

2022/23

Obtained unqualified audit opinion with no findings | Achieved 92% of output targets

2023/24

Obtained unqualified audit opinion with findings | Achieved 100% of output targets

2024/25

Obtained unqualified audit opinion with no findings | Achieved 88% of output targets

However, to sufficiently fulfil its mandate, the MDB's financial and human resources are inadequate. The budget of the organisation grew by an average of 5 percent over the past five years, with personnel costs increasing by an average of 7 percent. Administrative overheads are on average 34 percent of the total expenditure and include, amongst others, Board fees, office rental and related costs, audit fees and legal costs. Services currently outsourced by MDB include security and cleaning services, internal audit, some ICT services and litigation services.

2.3. Key policy developments and legislative changes

During the period under review, Cabinet considered amendments to the Demarcation Legislation in the form of the Independent Municipal Demarcation Authority Bill (B14-2022) (IMDA). While this Bill seeks to simplify several issues relating to municipal demarcation, including the role and composition of the MDB, it further improves our responsiveness to demarcation issues affecting key stakeholders and members of the public. Once adopted into law, the Bill will replace the current Local Government: Municipal Demarcation Act of 1998. With the consideration of the Bill that has been deferred to the 7th administration of government, the Select Committee referred the Bill to provinces for further consultations. During the review period, the Bill was consulted on by several provinces.

2.4. Progress towards achievement of institutional Impact and Outcomes

Impact	Outcome	Outcome Indicator	5-year target
Develop democratic, spatially integrated and socio-economically sustainable communities	Organisational excellence	Achieve level 5 on the corporate governance capability maturity model	Maturity level 5 achieved by 2025

To enhance best practice governance, administrative and financial control systems, A Corporate Capability Maturity Model (CMM), Framework, and biannual assessment tool were developed in 2020. The CMM Framework and tool institutionalise the monitoring and assessment of its operating processes and systems. During 2024/25 the regression in the audit opinion impacted the 1st bi-annual CMM rating, but with additional controls implemented, it recovered and for the 24/25 annual assessment, the score of 5 was maintained.

For the 2024/25 financial year, the MDB obtained an unqualified audit outcome with no findings. Procurement with marginalised groups has expanded over the last two financial years. In 2023/24, 71 percent procurement with marginalised groups was done, consisting of 36 percent of procurement done with enterprises owned by women and 35 percent of procurement with youth-owned enterprises. In 2024/25, 60,27 percent of its procurement budget for specific goods and services was spent with enterprises with more than 51 percent women ownership, 20,91 percent with youth-owned enterprises, and 4,8 percent with enterprises owned by people with disabilities, significantly exceeding the targets set for the financial year.

Due to the efficiently and effectively managed internal control environment, outputs contributing to the achievement of this outcome are mainly managed through the related Programme Annual Operational Plans.

Impact	Outcome	Outcome Indicator	5-year target
Develop democratic, spatially integrated and socio-economically sustainable communities	Well-defined municipal spaces	Ward and municipal boundaries demarcated	4 468 wards were delimited for 2021 local government elections. Municipal boundary re-determination proposals considered by 2025.

The determination and re-determination of municipal outer boundaries and the delimitation of municipal wards result in well-defined municipal spaces that enhance spatial justice, equality and efficiency that deepens democracy and active citizenry. In 2020, 4 468 wards were delimited for the 2021 LGE. Determination and re-determination of municipal outer boundaries were completed in 2023/24, deferring 13 cases for further research and investigation. In 2024/25, the process to delimit wards for the 2026 LGE commenced.

Impact	Outcome	Outcome Indicator	5-year target
Develop democratic, spatially integrated and socio-economically sustainable communities	Improved access to research and spatial information	Research and spatial information accessible	Research and spatial information accessible to stakeholders and the public by 2025

In establishing an end-to-end integrated system for leveraging and managing spatial data, research, information and knowledge for informed and evidence-based decision-making, a spatial knowledge hub was established. To date, spatial and data products in terms of wards and boundary re-determination are accessible to the public through the hub. In terms of its research agenda, nine research reports have been compiled, which have been published in MDB's in-house publication, six reports have been presented at annual SAAPAM Conferences, one was a collaboration with the National School of Government (NSG), and one research article has been published in an international journal. Additionally, norms and standards for municipal capacity have been developed, and in the 2024/25 financial year, 56,6 percent of municipalities have updated their municipal capacity data.

Impact	Outcome	Outcome Indicator	5-year target
Develop democratic, spatially integrated and socio-economically sustainable communities	Improved public and stakeholder participation	Increased number of education and awareness activities to reach stakeholders and the public	80 public participation, education and awareness events activated/ supported

The MDB's effectiveness in delivering on its mandate, through the deepening of awareness, understanding and knowledge of demarcation matters, has been achieved with 150 education and awareness activities undertaken across a range of media and communication platforms. The MDB continued to raise the bar regarding its innovative ways of intensifying both public and stakeholder education and awareness campaigns.

3 INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1. Programme 1: Administration

Purpose:

To ensure adequate and sustainable resources, capabilities and core competencies to aid the achievement of its mandate, the MDB will continue to invest in its people, systems and processes. The intention, over the period 2020 to 2025, is to enhance best practice governance in administrative and financial control systems, sufficiently financially resourced, appropriately staffed and functionally structured MDB with the required infrastructure to fully execute its mandate.

Outcomes, Outputs, Output indicators, Targets and Actual achievement

Programme 1	Administration							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Organisational excellence	Corporate Governance Capability Maturity Assessment	Corporate Governance capability maturity level maintained	Corporate Governance Capability Maturity Level 5 reached	Corporate Governance Capability Maturity Level 5 maintained	Maintain Corporate Governance Capability Maturity Level 5	Corporate Governance Capability Maturity Level 5 maintained	-	-
	AGSA report	Unqualified audit opinion with no findings (clean) obtained	Obtained unqualified audit opinion with no findings (clean), on the 2021/22 annual financial statements	Obtained unqualified audit opinion with no findings (clean), on the 2022/23 annual financial statements	Obtain unqualified audit opinion with no findings (clean)	Obtained unqualified audit opinion with material findings on the 2023/24 annual financial statements	Material findings on the 2023/24 annual financial statements	MDB adjusted its 2023/24 annual financial statements, which resulted in material findings and the regression of its AGSA audit status
	Procurement with designated groups	Percentage of procurement with enterprises with more than 51 percent women ownership	56,5%	35%	40%	60,27%	20,27%	Significant growth in the number of qualifying vendors made it easier to achieve the target set

Programme 1	Administration							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Organisational excellence		Percentage of procurement with Youth owned enterprises	New indicator	36%	7%	20,91%	13,91	Significant growth in the number of qualifying vendors made it easier to achieve the target set
		Percentage of procurement with enterprises owned by people living with disabilities	-	New indicator	1%	4,8%	3,8%	Significant growth in the number of qualifying vendors made it easier to achieve the target set

To enhance best practice governance, administrative and financial control systems. A Corporate Capability Maturity Model (CMM), Framework and biannual assessment tool were developed in 2020. The CMM Framework and tool is a collaborative initiative by all divisions of the MDB to promote and institutionalise the monitoring and assessment of its operating processes and systems. It incorporates a number of dimensions that probe the level of skill, experience, readiness and capability by listing the critical processes and citing levels of achievement of capability in each level of maturity. During the review period a score of 5 was obtained and more work is being done to ensure that this score is maintained for the medium term.

Over the review period, MDB monitored its procurement with marginalised groups and herein spent 60,27% of its procurement budget for specific goods and services with enterprises with more than 51 percent women ownership and 20,91% with youth owned enterprises, and 4,8% with enterprises owned by people living with disabilities, significantly exceeding the targets set for the financial year.

3.2. Programme 2: Demarcation and Spatial Transformation Excellence

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

Municipal outer boundaries are reviewed at least once every five years. The review of municipal outer boundaries must be completed at least six months prior to national and provincial elections to allow the IEC to consider municipal boundaries when determining the national voters' roll and voting district boundaries within which voters must be registered, including the setting up of voting stations, for the national and provincial elections.

Approximately two years before a local government election takes place, the process to delimit municipal wards commences. The Minister responsible for local government publishes the formula for the determination of the number of councillors. Once the number of councillors for each local and metropolitan municipality has been determined by MECs, the MDB calculates the number of wards for each municipality. The MDB divides the whole geographic area of a municipality into the applicable number of wards. Schedule 1 of the Local Government: Municipal Structures Act 117 of 1998, as amended (MSA) provides for certain procedures and criteria to which the MDB must comply when delimiting wards. After local government elections are held, the MDB may decide to review municipal outer boundaries.

Outcomes, Outputs, Output indicators, Targets and Actual achievement

Programme 2	Demarcation and Spatial transformation excellence							
Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Audited Actual Performance 2023/2024	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from planned target to Actual achievement 2024/25	Reasons for deviations
Well defined municipal spaces	Ward Delimitation policy	Ward Delimitation policy reviewed	-	New indicator	Reviewed municipal Ward Delimitation policy	Ward Delimitation policy reviewed and approved	-	-
	Education and awareness consultations	Number of Education and awareness consultations on ward delimitation conducted	-	New indicator	52	213	161	The MDB planned to conduct ward delimitation education and awareness consultations 44 district and eight metropolitan municipalities (52 in total) involving

Programme 2	Demarcation and Spatial transformation excellence							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations (continued)**
Well defined municipal spaces								relevant local municipal officials and structures. However, after consultations it was decided that ward delimitation education and awareness consultations be conducted with each local and metropolitan municipality (In total 213 municipalities), to brief the relevant local municipal officials and structures on the legal process of ward delimitations, how wards are configured and related challenges.
	Ward delimitation technical consultations	Number of Technical consultations on ward delimitation conducted	-	New indicator	213	214	1	A Technical consultation on ward delimitation was conducted with the new municipality established (FS164)

Programme 2	Demarcation and Spatial transformation excellence							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Well defined municipal spaces	Municipal boundary re-determination policy	Municipal boundary re-determination policy reviewed	-	New indicator	Reviewed municipal boundary re-determination policy	Municipal boundary re-determination policy reviewed and approved	-	-
	Report on Spatial Ward Analysis	Report on Spatial Ward Analysis produced	-	New indicator	Produced report on Spatial Ward Analysis	Produced report on Spatial Ward Analysis	-	-

Ward delimitation process

Every five years, the MDB delimits wards in metropolitan and local municipalities for electoral purposes in terms of Schedule 1 of the Municipal Structures Act 117 of 1998 (MSA). Given the protracted and complex legislative nature of ward delimitation, stakeholders and citizens demanded greater involvement in the processes, and therefore, the MDB introduced education and awareness campaigns at local and metropolitan municipalities, and technical municipal consultations in preparation of draft wards and the public consultation process before determining wards. The education and awareness consultations aimed to present the ward delimitation process, plan, and legal mandate to councillors, traditional leaders, ward committee representatives, community development workers and municipal officials responsible for MDB processes.

Table 2, provides details of the publications by MECs of the number of councillors for each municipality using the formula published by the Minister of CoGTA.

Table 2: Publication of the number of councillors by MECs

Province	Gazette	Date
Eastern Cape	1105 / 2025	22 January 2025
Free State	72 / 73	15 November 2024
Gauteng	414 / 1176	12 November 2024
KwaZulu-Natal	2771 / 837	08 January 2025
Limpopo	3638 / 508	27 January 2025
Mpumalanga	3751 / 600	20 December 2024
North West	8759 / 928	01 November 2024
Northern Cape	2732 / 651	18 November 2024
Western Cape	8999 / 116	06 November 2024

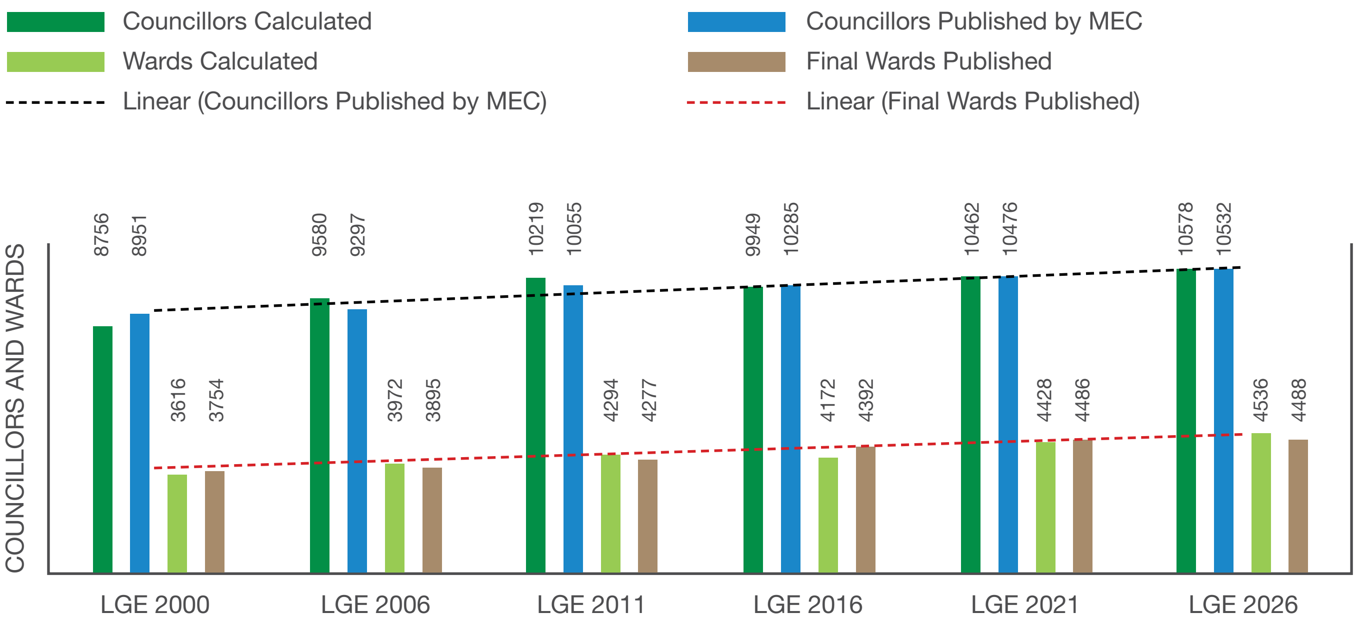
After publication of the number of councillors for each municipality by MECs, technical consultation with local and metropolitan municipalities, aimed at engaging with municipal planning officials and/or councillors to configure the draft wards and address any issues that the municipalities are aware of, was conducted between November 2024 and March 2025.

The deviation by the MECs, from the formula published by the Minister of COGTA resulted in 4 488 wards to be delimited for the 2026 local government elections. Table 3 provides a provincial comparison of wards from 2016 to current. Due to a consistent increase in the number of registered voters, there has been an increase in the number of wards. Thus 170 municipalities retained the number of wards as of 2021, 15 municipalities decreased from 2021, and 29 municipalities increased from 2021.

Table 3: Comparison of wards between 2026 and 2026 per province

Province	Local Government Elections		
	2016	2021	2026
Eastern Cape	705	710	703
Free State	309	319	311
Gauteng	529	529	526
KwaZulu-Natal	870	901	921
Limpopo	566	568	568
Mpumalanga	400	400	408
North West	407	403	402
Northern Cape	204	232	233
Western Cape	402	406	416
Total number of wards	**4 392**	**4 468**	**4 488**
Number of registered voters	**25 383 361**	**26 749 806**	**27 723 675**

Figure 5: Trends in the determination of number of councillors and wards



Configuration of draft wards

Once the MECs have published the number of councillors for each municipality, the MDB divides the number of councillors by two to calculate the number of wards a municipality must have (decimals are rounded upwards). The 2021 wards were analysed to determine if they are compliant with the norm (average voters) for the municipality. During the technical configurations, all wards were reviewed, and adjustments were made to make the wards comply with the norm, align with identifiable features, unsplit communities where possible, and resolve dysfunctional wards identified by municipalities.

Broad municipal ward delimitation plan and status of activities

The table below provides the broad ward delimitation plan or programme. The overall ward delimitation process will be concluded by the end of 2025.

Table 4: Broad municipal ward delimitation plan

Phase	Activities	Dates	Responsibilities	Status
Phase 1	Receive certified voters roll from the IEC	March 2024	IEC	Completed
	MDB consults with the IEC	June/July 2024	MDB/IEC	Completed
	Present ward delimitation plan to mayors and speakers	June/July 2024	MDB	Completed
	Present ward delimitation plan to Houses of Traditional leaders	June/July 2024	MDB	Completed
	Present ward delimitation plan to IEC Provincial liaison committees	June/July 2024	MDB	Completed
	Ward awareness campaigns for public and stakeholders	July – September 2024	MDB	Completed in October 2024
	Publication of the formula to calculate number of councillors	August 2024	Minister of CoGTA	Completed in October 2024
	Publication of number of councillors by provincial MECs responsible for local government	September 2024	Provincial MECs responsible for local government	Completed in January 2025
	Calculation of the number of wards and the norm for each municipality	September 2024	MDB	Completed in January 2025
Phase 2	Configuration of draft wards in consultation with GIS and planning officials of municipalities	October 2024 – March 2025	MDB	In progress
Phase 3	Public consultation on draft wards	April – June 2025	MDB	
	Finalise draft wards after receiving inputs from public consultation and/or submissions	July 2025	MDB	
	Present draft wards to the Board	August 2025	MDB	
	Publication of draft wards for objections	August 2025	MDB	
	Media broadcast for publication of draft set 2 wards for objections	August 2025	MDB	
Phase 4	Process objections received	August 2025	MDB	
	Publish final wards	October 2025	MDB	
	Media broadcast for publication of final wards	October 2025	MDB	
	Provide feedback to objectors	October 2025	MDB	
	Ward handover to IEC – press release	October 2025	MDB	

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.

Outcomes, Outputs, Output indicators, Targets and Actual Achievement

Programme 3	Research, Spatial information and intelligence development							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Improved access to research and spatial information	Enhanced spatial knowledge hub	Number of online products for Spatial knowledge hub available	2	1	2	2	-	-
	Research reports available	Number of research reports produced	2	2	2	3	1	Research conducted on the deferred boundary re-determination cases provided an opportunity to produce an additional paper
	Dissemination of research findings	Number of research reports/ articles presented or published	2	5	3	4	1	The 23rd SAAPAM Annual Conference provided an additional opportunity to present a paper

Programme 3	Research, Spatial information and intelligence development							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Improved access to research and spatial information	Updated capacity assessment data available	Percentage of municipalities with updated capacity assessment data	-	New indicator	60%	56,6%	-3,4%	A technical challenge was experienced whereby the online capacity assessment data system, did not send emails with log-in details to end-users (municipalities) resulting in delays with data updates. (The server IP was blacklisted from sparmhaus)

The GIS (spatial) data and related products (e.g., maps, online applications, etc.) were scattered over different platforms, which resulted in internal and external users finding it difficult to easily access and retrieve spatial data and information. As a result, it was preferable for MDB to integrate all its spatial data products onto a single online platform – also known as spatial knowledge hub – to enable internal and external users to interact with the spatial data through intranet and internet and provide interactive maps, dashboards, searchable data repository for users to search, query, and produce customizable reports for their purposes. During the period under review, a story map and mapping application were developed and are accessible through a Quick Response (QR) code and Uniform Resource Locator (URL) link, which will be widely publicised during public consultations of the first draft wards in April to June 2025. This will enable ease of access for the public and stakeholders to spatial data and other products specifically related to the ward delimitation process.

To further build its research repository, which is an integral part of the spatial knowledge hub, the MDB produced three research papers for the period under review. These research papers were:

i. Research Paper 1: Proposed de-amalgamation of JB Marks Local Municipality (DEM8001).

The findings of the study could be summarised as follows:

1. **Finances:** Post-merger JB Marks Local Municipality (LM) performed poorly on all the financial ratios. It has also become increasingly reliant on government transfers with much larger deficits than the pre-merger municipality.
2. **Service delivery:** Except for water provision, performance in addressing backlogs has worsened after the merger. National Treasury has withheld funds due to non-spending of the capital budget in 2022/23 (similar to the situation in pre-merger Ventersdorp).
3. **Human resources:** Similar vacancy rates, pre- and post-merger.
4. **Governance:** The higher post-merger JB Marks LM's Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure has mimicked the situation in the pre-merger Ventersdorp LM.
5. Two options, that is, option A and B were given, and option A is on maintaining the status quo, that is, 'do not demerge
JB Marks LM', while option B is on considering 'de-amalgamating JB Marks LM and re-establish Ventersdorp LM and
Tlokwe LM' based on the boundaries that existed before the 2016 merger.
6. **The advantages, disadvantages and risks of options (option A and B)** resulting from the findings of the study as well as the study recommendations are contained in the research report.

ii. Research Paper 2: Proposed de-amalgamation of City of Mbombela Local Municipality (DEM 7751).

The findings of the study could be summarised as follows:

1) **Finances:** Reliance on government transfers increased in post-merger of City of Mbombela LM.
2) **Service delivery:** Post-merger City of Mbombela LM has improved in service delivery compared to the pre-merger City of Mbombela LM, which faced huge backlogs in the delivery of water, refuse removal, sanitation and electricity services.
3) **Human resources:** Vacancy rates decreased in post-merger of City of Mbombela LM.
4) **Governance:** Pre- and post-merger City of Mbombela LM had similar UIFW expenditure, which was above the norm (of 0 percent).
5) Two options, that is, option A and option B were given. Option A is on maintaining the status quo, that is, 'do not demerge City of Mbombela LM or non-deamalgamation'; while option B is on considering 'to demerge City of Mbombela LM or de-amalgamation', implying that City of Mbombela LM and Umjindi LM will revert to their pre-2016 merger status.
6) **The advantages, disadvantages and risks of options (option A and B)** resulting from the findings of the study as well as the study recommendations, are contained in the research report.

iii. Research Paper 3: Assessing the impact of de-amalgamating Maluti-a-Phofung Local Municipality (DEM6781/DEM6782).

The findings of the study could be summarised as follows:

Findings in respect of spatial and development planning:

1) **The need for cohesive and unfragmented areas:** Evidence indicates low levels of integration and community cohesion among Maluti-a-Phofung LM's residents, highlighted by the lack of a unified ratepayers' association for the entire municipality. Both the Harrismith/Kestell ratepayers' association and local business forums have concentrated solely on their specific areas, suggesting an informal demerger within the municipality.
2) **Existing and expected land use:** While some areas in the municipality follow established town planning schemes, Phuthaditjhaba lacks a comprehensive plan, with land use regulated through individual deeds and municipal regulations, creating challenges for cohesive development.
3) **Topographical and physical characteristics:** The municipality's environmental features include a summer-rainfall climate, a grassland biome and key water sources like the Wilge and Sterkfontein Rivers, but it faces challenges like overgrazing and water access issues, particularly in Qwaqwa.
4) **Risks:** The integration or development projects in Maluti-a-Phofung may be delayed or stalled due to insufficient funding, hindering progress. Additionally, social and economic inequality poses a significant risk, potentially exacerbating existing disparities and limiting opportunities for disadvantaged communities.

Findings in respect of the interdependence of people, communities and economies:

1) **Patterns of human settlements and migration:** Rapid urbanisation in areas like Phuthaditjhaba and Harrismith continues to outpace infrastructure and housing development, highlighting the urgent need for affordable housing solutions.
2) **Commuting and transport movements:** Maluti-a-Phofung LM's roads are in poor condition, with widespread potholes and eroded surfaces, prompting

residents to attempt temporary fixes that quickly deteriorate during the wet season.

3) Use of Amenities and Infrastructure: Access to amenities in Maluti-a-Phofung LM is limited and uneven across the municipality. The municipality faces significant challenges in essential infrastructure, impacting overall functionality and quality of life for residents.
4) Risks: Potential increase in informality due to increased migration, alongside the ongoing challenge of inadequate infrastructure.

Findings in respect of governance and functionality:

1) **Governance:** Poor governance exacerbated by political instability (coalitions and infighting within the ANC). Poor oversight with remedial action recommended by the Auditor-General to address issues that are causing "substantial harm" to Maluti-a-Phofung LM simply being ignored. No consequences for malfeasance.
2) **Provision of services:** The Municipality is dysfunctional with poor service delivery in terms of water, sanitation, refuse removal, and electricity.
3) **Interventions:** Provincial government interventions, such as placing the municipality under section 139 administration in 2018, have not worked.
4) **Risks:** Poor governance is likely to continue, business closures, informal demerger, more protests with significant implications on national economy (e.g. closure of N3).

Findings in respect of finance and administration:

1) **Financial viability:** Maluti-a-Phofung LM performed poorly on all the financial ratios. It has also become increasingly reliant on government transfers, and operating deficits will persist well into the future based on National Treasury forecasts.
2) **Inclusive tax base:** Large areas under traditional authorities and a culture of non-payment have resulted in some users of municipal services who are not paying taxes (and service charges), giving rise to a significant free rider problem.
3) **Administrative capacity:** High vacancy rates for Section 57 managers, with the municipality struggling to fill these positions in recent years. Highly politicised workforce with a poor work ethic and poor discipline being a major concern.
4) **Risks:** Unsustainable debt levels (municipality currently owes Eskom R8.3 billion), persistent load reduction, more company closures, loss of more jobs.
   - Two options, that is, option A (Proposed Harrismith/ Kestell municipality in terms of the 25 demarcation criteria (New Maluti-a-Phofung LM)) and option B (do not implement the de-amalgamation proposal/ maintain the status quo), were given to the Board.
   - **The advantages, disadvantages and risks of options (option A and B)** resulting from the findings of the study, as well as the study recommendations, are contained in the research report.

Considerable efforts were made to ensure that women, youth, and, where possible, people with disabilities were included among the interviewees during data collection for the research papers produced.

In a concerted effort to disseminate research findings to improve general access to research information and to push the MDB's vision of "Spatially transformed, just and sustainable communities", the findings of MDB's Research reports were published in its in-house publication named Demarcation Bulletin. This publication is available on the MDB website {https://www.demarcation.org.za/advisory-and-research/} and it is widely circulated to stakeholders. Two papers were presented to the 23rd South African Association for Public Administration and Management (SAAPAM) Annual Conference held at Sun City, North West Province, from 23 to 27 September 2024.

The papers presented were titled:

i) The realisation of Sustainable Development through the National Spatial Development Framework, Integrated Urban Development Framework, Spatial Planning and Land Use Management Act and the Municipal Demarcations' work.
ii) Spatial Planning and Demarcations: The case of Municipal Demarcation Board in South Africa.

Assessment of municipal capacity to deliver its powers and functions

During the year under review, MDB initiated a project whereby local and metropolitan municipalities were requested to update their municipal data in the online capacity assessment database. The MDB conducts municipal capacity assessments in terms of Section 85(4) of the Local Government: Municipal Structures Act (MSA). The MDB is mandated to conduct municipal capacity assessments to ascertain whether municipalities have the capacity to fulfil their constitutional obligations.

When conducting municipal capacity assessments, the MDB assesses whether a municipality has administrative, financial management and infrastructure capacity that enables a municipality to collect revenue and to govern on its own initiative the local government affairs of its community.

3.4. Programme 4: Stakeholder engagement and Communication

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

Outcomes, Outputs, Output indicators, Targets and Actual achievement

Programme 4	Stakeholder engagement and Communication							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Improved public and stakeholder participation	Public awareness and education activities	Number of public awareness and education activities completed	12	10	10	11	1	More activities than planned were completed due to additional communication opportunities available to relay information on demarcation processes
	Stakeholder awareness and education activities	Number of stakeholder awareness and education activities completed	12	12	10	14	4	More activities than planned were completed due to additional communication opportunities available to relay information on demarcation processes

Programme 4	Stakeholder engagement and Communication							
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2022/2023**	**Audited Actual Performance 2023/2024**	**Planned Annual Target 2024/25**	**Actual Achievement 2024/25**	**Deviation from planned target to Actual achievement 2024/25**	**Reasons for deviations**
Improved public and stakeholder participation	Media engagement	Number of items across print, electronic and broadcast media generated by MDB or arising from its work	9	10	8	10	2	More activities than planned were completed due to additional communication opportunities available to relay information on demarcation processes

During the period under review, the MDB undertook an intensive and robust communication drive to promote public and stakeholder awareness of demarcation processes and related matters. The campaign focused on concluding the municipal outer boundary change process, addressing deferred outer boundary proposals, and launching the ward delimitation process. This communication effort spanned multiple platforms, including electronic media (television and radio), print media (local, regional, and national newspapers), social media (e.g., vlogs, blogs, YouTube, Facebook, Instagram), bulk SMS messaging, and direct engagements through presentations and exhibitions at various forums nationwide including Izimbizo organised by the Government Communication and Information System (GCIS).

To ensure inclusivity, all materials were translated into official languages, including Braille. Adverts were also placed in the MDB's quarterly newsletter and selected publications such as Municipal Focus, The Voice of SALGA, and Public Sector Manager, among others. The campaign was further amplified through radio interviews on both mainstream and community radio stations and TV interviews e.g ENCA, Newzroom Afrika, SABC News Channel etc, including all-language stations under the SABC banner.

The MDB maintained transparency and kept the public informed by issuing regular media statements and updating its website to ensure timely access to information. Notably, targeted outreach included a session with persons living with disabilities in Orange Farm, where participants expressed appreciation for receiving materials in Braille—many citing it a

a first-of-its-kind engagement from any entity. Similarly, interactions with traditional leaders and various political parties were intensified to deepen understanding and participation. Through these efforts, the MDB has continued to explore and implement diverse communication avenues to broaden its reach and enhance stakeholder understanding—an approach it aims to sustain and expand in future engagements.

3.5. Linking performance with budgets

Programme/ activity	2024/25			2023/24		
	Budget	Actual	(Over-) / under-spending	Budget	Actual	(Over-) / under-collection
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	58 457	51 123	7 334	51 700	46 438	5 262
Programme 2: Demarcation and Spatial transformation	20 308	19 358	949	17 613	18 146	-534
Programme 3: Research, Spatial Information and Intelligence development	4 435	3 721	714	3 573	3 829	-256
Programme 4: Stakeholder engagement and Communication	10 012	6 033	3 979	9 455	7 415	2 039
Total	**93 212**	**80 236**	**12 976**	**82 341**	**75 828**	**6 511**

Administrative overheads are on average 36 percent of total expenditure and include amongst others, board fees, office rental and related expenses, audit fees and legal costs. Services currently outsourced by MDB include security and cleaning services, internal audit and some ICT services and litigation services.

In Programme 2, actual expenditure relates directly to activities in support of the ward delimitation process, which is undertaken every five years in preparation for the local government elections. During the 2024/25 financial year all municipalities were visited to raise awareness and provide education in terms of the ward delimitation process, this was followed by a second round of consultations with all municipalities to engage on the configuration of wards for each municipality. As a result, a significant portion of the programme's budget was allocated to travel and subsistence costs, which constituted the major component of the overall expenditure. In addition, funds were utilised for the procurement of annual licences for GIS and other related software used to generate maps for the ward delimitation process, as well as for the development of interactive spatial data products made available through the knowledge hub on the MDB website.

In Programme 3, actual expenditure relates to the research and the publication of research reports. This expenditure supports enhanced information accessibility and effective knowledge management within the organisation as well as to interested parties. In addition, ongoing costs included annual subscriptions to key research and information databases, which facilitate the preparation of research reports and the dissemination of MDB's research findings and related MDB information in a timely and efficient manner. The expenditure included training to ensure maximized utilization of research related databases and participation in information management database, which was conducted during the year under review.

Furthermore, a notable amount was allocated to annual licensing fees for research tools and the information hub, which are critical for ensuring the accuracy and relevance of research outputs.

In Programme 4, actual expenditure relates to advertisements through local media platforms (i.e. newspaper and radio) to raise education and awareness of the ward delimitation process as it unfolded, as well as above and below the line advertising, distribution of small media (hard copy and electronic) to raise awareness and educate both the public and stakeholders on demarcation processes. Another significant portion of the expenditure was for media monitoring through a contracted service provider to determine the reach and effectiveness of MDB engagement and communication activities.

3.6. Strategy to overcome areas of under performance

The MDB acknowledges the regression from a clean audit opinion in 2023/24, primarily due to material adjustments made to the financial statements after submission. These adjustments resulted in material findings by the AGSA. To address this and strengthen our financial reporting processes, we are implementing the following key actions:

- Improved controls: Strengthening internal controls and review processes, especially at year-end, to ensure accuracy and completeness of the AFS before submission.
- Skills development: Providing targeted training for finance staff on GRAP requirements and financial reporting best practices.
- Enhanced oversight: Increasing oversight from the Audit and Risk Committee, with regular tracking of audit findings and financial reporting risks.
- Pre-audit review: Introducing an independent review of the AFS prior to submission to reduce the risk of material misstatements.
- System Enhancements: Leveraging our financial systems to improve accuracy, reduce manual errors, and ensure proper audit trails.

These measures are aimed at restoring a clean audit outcome and building greater confidence in the MDB's financial governance.

Additionally, the MDB did not fully achieve its output to have 60% of municipalities with updated capacity assessment data. This resulted from a technical glitch whereby the online capacity assessment data system, did not send emails with log-in details to end-users (municipalities) resulting in delays with data updates. This indicator has been included into the 2025/26 Programme Annual Operational Plan and during the 2025/26 period, municipalities will be urged and encouraged to update capacity assessment data. MDB will continue to take advantage of Inter-governmental Relations forums whenever it is granted, to make an announcement and/or a short presentation on the progress towards updating of municipal capacity assessment data. Monthly progress reports on this project will be done at a management level.

4 REVENUE COLLECTION

Sources of revenue	2024/25			2023/24		
	Budget	Actual collected	(Over-) / under-collection	Budget	Actual collected	(Over-) / under-collection
	R'000	R'000	R'000	R'000	R'000	R'000
Grants and subsidies	74 191	74 191	-	73 104	73 104	-
Interest received	1 900	2 069	169	2 155	2 481	-326
Other income	0	1 247	1247		8	-8
Total	**76 091**	**77 507**	**1 416**	**75 529**	**75 593**	**-334**

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 it depends wholly on its allocation from National Fiscus.

Despite the above, the MDB has developed a funding strategy to secure additional funding to enhance financial sustainability by appraising NT and the Portfolio Committee on CoGTA, of the institution's financial constraints.

PART C

GOVERNANCE

1 INTRODUCTION

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

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

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

In addition, the 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, at the committee's invitation, three times during the year under review.

3 THE BOARD

Members of the Board are appointed by the President of the Republic of South Africa, in terms of Section 8 of the MDA. 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

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

During the 2024/25 financial year, the Board took significant strides to improve the MDBs governance environment.

- A Board induction was held on 4 April 2024 to welcome the Board, educate members on their fiduciary duties, and foster a relationship with Management. The outcomes of the induction and the proposed areas for improvement were documented for ongoing reporting to the Board.
- A review of the existing governance structures was conducted to reevaluate the functionality of the Board and its committees. The Board reduced the number of Board Committees from six to four committees. The reduction of the committees has improved the efficiency and coordination of meetings.
- With the expiry of the previous Chairperson of the Audit, Risk and ICT Committee (ARC), Dawood Coovadia's contract on 31 December 2024, the Board appointed

Margaret Phiri as Chairperson of the ARC Committee on 7 January 2025. Margaret Phiri is an external/ independent member and a chartered accountant (CA), registered auditor, and registered tax practitioner.

- An ARC & ICT Committee induction was held on 28 February 2025 to ensure that the newly appointed Chairperson was familiar with the organisation's governance structures and core business. All members of the Board were in attendance to confirm that the Board understood the Committee's mandate and delegated authority from a legislative perspective. The session achieved a significant milestone by providing the Board with the organisation's key mandate and serving as a reminder that the MDB was an independent constitutional entity, not a public entity.
- The Board held a research workshop to reflect on the MDB's research experience and output over the past five years, as well as to discuss and identify potential areas for future research. The workshop strengthened the research priorities of the organisation.
- The Board held a strategic planning session and subsequently approved a five-year strategic plan for the fiscal period 2025 to 2030.

Board Charter

The Board Charter is a guiding document that outlines the roles, responsibilities, and processes governing the operation of the Board. It is a vital tool for effective governance, ensuring clarity, alignment, and continuous improvement. Guided by principles of the King Code of Corporate Governance and the provisions of the MDA read in conjunction with PFMA, the board charter details the roles, structures, functions, and essential procedures. It also establishes various committees to focus on specific areas and assist the board in fulfilling its functions.

Composition of the Board

The table below shows the MDB membership from 1 March 2024 and the meetings attended during the 2024/25 financial year.

Name	Designation	Date		Other committees	Number of Board meetings attended
		Appointed	Term ended		
Thabo M Manyoni	Board Chairperson	1 March 2024	-	-	8
Dr David M Mohale	Deputy Board Chairperson	1 March 2024	-	Ward Delimitation and Boundary Determination Committee. Research and Knowledge Management Committee.	8
Sibongiseni Maseko	Board member	1 March 2024	-	Ward Delimitation and Boundary Determination Committee. Research and Knowledge Management Committee.	8
Dr Udesh Pillay	Board member	1 March 2024	-	Transformation and Governance Committee. Research and Knowledge Management Committee.	7
Edith Tukakgomo	Board member	1 March 2024	-	Transformation and Governance Committee. Ward Delimitation and Boundary Determination Committee.	7

Name	Designation	Date		Other committees	Number of Board meetings attended
		Appointed	Term ended		
Pascal Moloi	Board member	1 March 2024	-	Ward Delimitation and Boundary Determination Committee. Research and Knowledge Management Committee.	8
Marcia T Mabuza	Board member	1 March 2024	-	Audit, Risk and ICT Committee. Transformation and Governance Committee.	6
Prof Susan Bouillon	Board member	1 March 2024	-	Ward Delimitation and Boundary Determination Committee. Research and Knowledge Management Committee.	7
Ntombekaya Baart	Board member	1 March 2024	-	Audit, Risk and ICT Committee. Transformation and Governance Committee.	7
Gabisile Gumbi-Masilela	Board member	1 March 2024	-	Audit, Risk and ICT Committee. Transformation and Governance Committee.	8

Committees

Board committees are a vital part of governance and should be established with clear reporting procedures and a written scope of authority. Each Committee operates within the boundaries of its defined Terms of Reference or Charter, which specify the composition, role, responsibilities, delegated authority, and meeting requirements of each Committee.

The following Committees have been established to assist the Board in discharging its responsibilities:

- Ward delimitation and Boundary determination Committee
- Audit, Risk and ICT Committee
- Research and Knowledge Management Committee
- Transformation and Governance Committee

Committee membership

Committee	Number of meetings held	Number of members	Name of members
Audit, Risk and ICT Committee	7	3	Margaret Phiri Marcia T Mabuza Ntombekaya Baart Gabisile Gumbi-Masilela
Transformation and Governance Committee	9	5	Dr Udesh Pillay Edith Tukakgomo Marcia T Mabuza Ntombekaya Baart Gabisile Gumbi-Masilela
Ward delimitation and Boundary determination Committee	4	5	Dr David M Mohale Sibongiseni Maseko Edith Tukakgomo Pascal Moloi Prof Susan Bouillon
Research and Knowledge Management Committee	4	5	Dr David M Mohale Sibongiseni Maseko Dr Udesh Pillay Pascal Moloi Prof Susan Bouillon

Attendance at Board committee meetings:

Name	Audit, Risk and ICT Committee		Transformation and Governance Committee		Ward Delimitation and Boundary Determination Committee		Research and Knowledge Management Committee	
	M	A	M	A	M	A	M	A
Dr David M Mohale	-	-	-	-	4	4	4	1
Sibongiseni Maseko	-	-	-	-	4	4	4	4
Dr Udesh Pillay	-	-	9	9	-	-	4	3
Edith Tukakgomo	-	-	9	9	4	4	-	-
Pascal Moloi	-	-	-	-	4	3	4	4
Marcia T Mabuza	7	7	9	9	-	-	-	-
Prof Susan Bouillon	-	-	-	-	4	4	4	4
Ntombekaya Baart	7	7	9	8	-	-	-	-
Gabisile Gumbi-Masilela	7	7	9	9	-	-	-	-

Legend:

M = Meetings convened

A = Attendance

Remuneration of Board members

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

Name	Remuneration	Other allowances	Total
Thabo M Manyoni	1 550	294	1 844
Dr David M Mohale	286	27	313
Sibongiseni Maseko	195	18	213
Dr Udesh Pillay	260	14	274
Edith Tukakgomo	217	18	235
Pascal Moloi	213	18	231
Marcia T Mabuza	191	11	202
Prof Susan Bouillon	170	18	188
Ntombekaya Baart	328	30	358
Gabisile Gumbi-Masilela	279	23	302

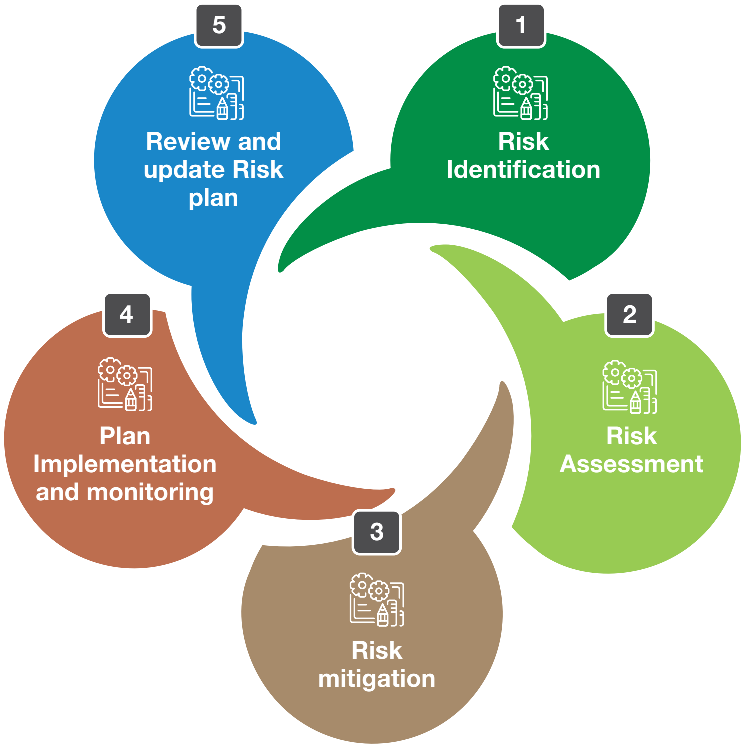
4 RISK MANAGEMENT

In line with best practice, the MDB has instituted a robust enterprise risk management process, founded on a risk management strategy that is organisationally embedded, supported, assured, and reviewed continually. Enterprise risk management is the application of risk management throughout the institution instead of 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 policy and strategy outline guiding principles and procedures that deal with strategic and operational risk management to identify risks that may prevent the MDB from achieving its outcomes. 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. The risk management strategy is underpinned by an annual risk assessment process, supplemented by quarterly progress reports on the implementation of mitigating strategies. The Risk Management Committee convenes quarterly to oversee progress on risk interventions and provide advice on risk management matters. The Committee's quarterly progress reports are presented to the Audit and Risk Committee, ensuring effective mitigation and oversight.

The MDB uses the risk assessments generated by the risk management function to inform the yearly Audit Plan since it employs a risk-based internal audit methodology.

The risk management process involves



5 INTERNAL CONTROL

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

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	01 October 2019	31 December 2024	5
Margaret Phiri	External	Independent	07 January 2025	-	2
Marcia T Mabuza	Internal	Board member	1 March 2024	-	7
Ntombekaya Baart	Internal	Board member	1 March 2024	-	7
Gabisile Gumbi-Masilela	Internal	Board member	1 March 2024	-	7

7 COMPLIANCE WITH LAWS AND REGULATIONS

The following legislation is applicable:

Local Government: Municipal Demarcation Act 27 of 1998
Local Government: Municipal Structures Act 117 of 1998, as amended
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 (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
Protection of Personal Information Act 4 of 2013

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 conflicts of interest. In the beginning of each financial year, 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. This is over and above the requirement that the Board and employees disclose matters of conflict of interest, as and when they arise.

Furthermore, meeting procedures of the Board provide for the 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 a conflict of interest.

10 CODE OF CONDUCT

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

11 BOARD SECRETARY

The Board Secretary plays a vital role in facilitating the effective operation of the Board and ensuring compliance with legal and regulatory requirements. The position further helps to maintain transparency, accountability, and integrity in the governance processes of the Municipal Demarcation Board.

The Board Secretary also provides administrative support to the Board and its committees, including scheduling of meetings, preparing agendas, distributing meeting packs, and coordinating all the relevant activities.

The Board Secretary also facilitates self-assessment of the Board and its committees and financial disclosures by the Board. The responsibilities of this position are strategic and incorporate all corporate governance matters and adherence to the legislative imperatives of some principles 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 2025.

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.

Audit, Risk and ICT Committee Responsibility

The Audit, Risk and ICT Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit, Risk and ICT Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

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

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

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

The committee can report that the system of internal control over financial reporting for the period under review was efficient and effective.

In-year management and quarterly reporting

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.

Evaluation of 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 2024/25 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.

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 satisfactorily and that it has addressed in its audits the risks pertinent to the institution. The committee confirms that the internal audit has contributed to the improvement of internal controls within the institution.

On behalf of the Audit, Risk and ICT Committee:

....

Margaret Phiri
Chairperson: Audit, Risk and ICT Committee
Municipal Demarcation Board
31 July 2025

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	None
Developing and implementing a preferential procurement policy?	Yes	Preferential Procurement 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	None
Developing criteria for entering partnerships with the private sector?	N/A	None
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	None

PART D

HUMAN RESOURCE MANAGEMENT

1 INTRODUCTION

The Human Resource unit plays a critical role in supporting the strategic objectives of the Municipal Demarcation Board (MDB) by ensuring the organisation is adequately staffed, capacitated, and aligned to deliver on its mandate.

During the period under review, the HR unit focused on enhancing organisational performance through improved employee development and fostering a values-driven workplace culture. Emphasis was placed on maintaining a stable workforce, enhancing compliance with policies and promoting staff wellness. Full implementation of the performance management process across all levels.

The MDB's organisational structure for the period under review consisted of 48 funded positions, thirty (30) of which were occupied by women (63 percent) and eight (8) were classified as youth (17 percent). Five (5) of the senior management positions are occupied by women (50 percent). Currently, the MDB has not employed any person(s) with disability, and efforts are made during its recruitment processes to encourage persons with disabilities to apply for available positions.

For the period under review, the following employees were trained in various relevant short courses in accordance with the Workplace Skills Plan (WSP):

- Twelve (12) women, among the twelve women, one (1) is a youth.
- Eight (8) men, among the eight men; two (2) are youth.

Support for bursaries and short learning programmes in line with individual development plans (IDPs) was provided.

- New bursaries for higher education qualifications in relevant areas have been awarded to three (3) employees for the period under review; One (1) is a woman and youth, two (2) are men, among the two men, one (1) is a youth.
- During the period under review, one (1) employee, a woman, completed her higher education qualification, stemming from a bursary awarded for the 2024 academic year.

The table below illustrates the information above:

Financial period	Type	African			African			
		Not Youth	Youth	Persons living with disabilities	Not Youth	Youth	Persons living with disabilities	Overall Total
2024/25	New bursaries awarded	0	1	0	1	1	0	**3**
	Continuing from prior periods	2	1	0	1	0	0	**4**
	Total (per category)	**2**	**2**	**0**	**2**	**1**	**0**	**7**
	Graduates							
	Qualifications completed	1	0	0	0	0	0	**1**
	Annual Training							
	Short courses	11	1	0	6	2	0	**20**

During the year under review, two (2) employee health and wellness initiatives were held to promote the overall health, well-being, and productivity of staff by creating a supportive and healthy work environment.

The Annual Employment Equity Report was submitted to the Department of Labour as per legislated timeframes. The continued limitations in establishing a regional footprint to enhance stakeholder engagement, public participation, education and awareness in demarcation processes, key in delivering its mandate, remain a challenge.

These achievements have contributed to building a capable, ethical, and high-performing staff complement that supports the delivery of the Board's constitutional mandate.

2 HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel cost by programme

Programme	Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee R'000
Administration	51 304	25 412	50%	29	876
Demarcation and Spatial transformation excellence	19 930	14 124	71%	13	1 086
Research, Spatial information and Intelligence development	3 705	3 285	89%	3	1 095
Stakeholder engagement and communication	6 096	2 221	36%	2	1 111
Total	**81 036**	**45 042**	**56%**	**47**	**958**

Personnel cost by salary band

Level	Personnel expenditure R'000	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee R'000
Top management	6 962	15%	4	1741
Senior management	8 898	20%	6	1483
Professionally qualified	18 631	41%	19	981
Skilled	10 550	24%	18	586
Total	**45 041**	**100%**	**47**	**958**

Performance rewards

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

Note: In terms of DPSA determination, payment of performance bonuses has been suspended, and therefore, no performance rewards were paid during the 2024/2025 financial year.

Training costs

Programme	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee R'000
Administration	25 412	150	0,59%	12	13
Demarcation and Spatial transformation excellence	14 124	98	0,69%	7	14
Research, Spatial information and Intelligence development	3 285	0	0%	0	0
Stakeholder engagement and communication	2 221	23	1,04%	1	23
Total	**45 041**	**271**	**0,60%**	**20**	**50**

Employment and vacancies

Programme	2023/24 number of employees	2023/24 approved posts	2024/25 number of employees	2023/24 vacancies	% of vacancies
Administration	29	30	29	1	3%
Demarcation and Spatial transformation excellence	13	13	13	0	0
Research, Spatial information and Intelligence development	3	3	3	0	0
Stakeholder engagement and communication	2	2	2	0	0
Total	**47**	**48**	**47**	**1**	**2%**

Note: One Senior Management position is vacant at the end of the financial year. The position of the Office Manager in the Office of the Chairperson will be occupied on a fixed-term contract, before being permanently occupied, as the Organisational Design process started in 2024 is still to be finalised.

Level	2023/24 number of employees	2023/24 approved posts	2024/25 number of employees	2023/24 vacancies	% of vacancies
Top management	3	4	4	0	0
Senior management	6	7	6	1	14,3%
Professionally qualified	19	19	19	0	0
Skilled	16	18	18	0	0
Subtotal permanent employees	**44**	**48**	**47**	**1**	**2,1%**
Fixed-term contract employees	2	0	0	0	0
Internship programme	0	0	0	0	0
Subtotal contract employees	**2**	**0**	**0**	**0**	**0**
Total	**46**	**48**	**47**	**1**	**2,1%**

Explanations: The Board remains committed to concluding all outstanding appointments in the upcoming period to strengthen leadership capacity and improve organisational stability. During the period under review, the Senior Manager position, Office Manager in the Office of the Chairperson, has been vacant due to resignation for a period of seven months, and measures are underway to fill the vacant position with the purpose of attracting suitably qualified and experienced candidates.

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	4	0	0	4
Senior management	7	0	1	6
Professionally qualified	19	0	0	19
Skilled	16	4	2	18
Total	**46**	**4**	**3**	**47**

Reasons for staff leaving: Staff turnover during the reporting period was influenced by a range of factors, such as voluntary resignation with various reasons, including career advancement opportunities, personal circumstances, and offers from other organisations.

MDB continues to monitor exit trends and conduct exit interviews to identify underlying patterns and inform retention strategies. Efforts are being made to enhance employee engagement and career development to retain critical talent and reduce unnecessary turnover.

Reason	Number	% of total number of staff leaving
Death	0	0%
Resignation	3	6,38%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
TOTAL	**3**	**6,38%**

Explanations: Critical positions were filled to address capacity gaps, while recruitment processes ensured adherence to principles of fairness, transparency, and representivity.

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Precautionary suspension	0
Dismissal	0

Equity target and employment equity status

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior management	2	0	0	0	1	0	0	0
Professional qualified	9	0	0	0	0	0	1	0
Skilled	2	0	0	0	0	0	0	0
Total	**15**	**0**	**0**	**0**	**1**	**0**	**1**	**0**

Level	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior management	3	0	0	0	0	0	0	0
Professional qualified	6	0	0	0	1	0	2	0
Skilled	15	0	1	0	0	0	0	0
Total	**26**	**0**	**1**	**0**	**1**	**0**	**2**	**0**

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

Note: Currently, the MDB has not employed any person(s) with disabilities, and efforts are made during recruitment processes to encourage persons with disabilities to apply for available positions.

PART E

PFMA COMPLIANCE REPORT

1 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2024/25	2023/24
	R'000	R'000
Opening balance	8 577	7 182
Adjustment to opening balance	0	0
Opening balance as restated	0	0
Add: Irregular expenditure confirmed	0	1 395
Less: Irregular expenditure condoned	0	0
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	**8 577**	**8 577**

Reconciling notes

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure that was under assessment	0	0
Irregular expenditure that relates to the prior year and identified in the current year	0	0
Irregular expenditure for the current year	0	0
Total	**0**	**0**

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure under assessment	0	0
Irregular expenditure under determination	0	0
Irregular expenditure under investigation	0	0
Total	**0**	**0**

c) Details of current and previous year irregular expenditure condoned

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure condoned	0	0
Total	**0**	**0**

d) Details of current and previous year irregular expenditure removed – (not condoned)

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure NOT condoned and removed	0	0
Total	**0**	**0**

e) Details of irregular expenditure recoverable

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure recovered	0	0
Total	**0**	**0**

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure written off	0	0
Total	**0**	**0**

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
None
Total: Nil

h) Details of irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2024/25	2023/24
	R'000	R'000
	0	0
Total	**0**	**0**

i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
None

1.2 Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2024/25	2023/24
	R'000	R'000
Opening balance	0	0
Adjustment to opening balance	0	0
Opening balance as restated	0	0
Add: Fruitless and wasteful expenditure confirmed	0	4
Less: Fruitless and wasteful expenditure written off	0	0
Less: Fruitless and wasteful expenditure recoverable	0	(4)
Closing balance	**0**	**0**

Reconciling notes

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment	0	0
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	0	0
Fruitless and wasteful expenditure for the current year	0	0
Total	**0**	**0**

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	0	0
Fruitless and wasteful expenditure under investigation	0	0
Total	**0**	**0**

c) Details of fruitless and wasteful expenditure recoverable

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure recoverable	0	0
Total	**0**	**0**

d) Details of fruitless and wasteful expenditure not recovered and written off

Description	2024/25	2023/24
	R'000	R'000
Fruitless and wasteful expenditure written off	0	0
Total	**0**	**0**

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken

1.3 Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) & (iii)

a) Details of material losses through criminal conduct

Material losses through criminal conduct	2024/25	2023/24
	R'000	R'000
Theft	0	0
Other material losses	0	0
Less: Recovered	0	0
Less: Not recovered and written off	0	0
Total	**0**	**0**

b) Details of other material losses

Nature of other material losses	2024/25	2023/24
	R'000	R'000
	0	0
Total	**0**	**0**

c) Other material losses recoverable

Nature of losses	2024/25	2023/24
	R'000	R'000
	0	0
Total	**0**	**0**

d) Other material loses not recoverable and written off

Nature of losses	2024/25	2023/24
	R'000	R'000
	0	0
Total	**0**	**0**

2 INFORMATION ON LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	1 588	37 588
Invoices paid within 30 days or agreed period	1 588	37 588
Invoices paid after 30 days or agreed period	0	0
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or agreed period (unpaid and in dispute)	0	0

3 INFORMATION ON SUPPLY CHAIN MANAGEMENT

3.1 Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
N/A				-
Total				**Nil**

3.2 Contract variations and expansions

Project description	Name of Supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Cloud Services	Sizwe Africa IT Group	Variation	MDB003-2022/2023	2 696	0	286
Office accommodation	JR 209 Investment	Variation	MDB007-2018/2019	16 395	0	2 809
Security Service	Prime African Security	Variation	MDB004-2021/2022	1 674	0	579
Total				**20 765**	**0**	**3 674**

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 (MDB) set out on pages 67 to 92 which comprise the statement of financial position as at 31 March 2025, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as 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 (MDB) as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practices (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Context 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the entity 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 authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority 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 authority is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general 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. This description, which is located on page 64, forms part of my auditor's report.

Report on the audit of the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following programmes presented in the annual performance report for the year ended 31 March 2025 for auditing. I selected programmes that measure the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programmes	Page numbers	Purpose
Programme 2: **Demarcation and spatial transformation excellence**	21	To determine and re-determine municipal outer boundaries and delimit wards for all municipalities that qualify to have wards to enhance spatial justice, equality and efficiency, and deepen democracy and active citizenry.
Programme 3: **Research, spatial information and intelligence development**	27	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.
Programme 4: **Stakeholder engagement and communication**	31	To increase the MDB's effectiveness to deliver on its mandate to deepen awareness, understanding and knowledge of demarcation matters through coordinated consultations and meaningful stakeholder and public participation.

12. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
    - there is adequate supporting evidence for the achievements reported [and for the reasons provided for any over- or underachievement of targets / measures taken to improve performance.

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

15. I did not identify any material findings on the reported performance information for the programme

Other matters

16. I draw attention to the matter below.

Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements.

Report on compliance with legislation

18. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

19. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

20. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the [type of auditee], clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

21. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

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

23. My opinion on the financial statements, and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

24. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

27. I did not identify any significant deficiencies in internal control.

Annexure to the auditor’s report

The annexure includes the following:
- The auditor-general’s responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor general’s responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the [consolidated and separate] financial statements and the procedures performed on reported performance information for selected [programmes/ objectives/ development priorities] and on the [type of auditee]’s compliance with selected requirements in key legislation.

Consolidated and separate financial statements

In addition to my responsibility for the audit of the consolidated and separate 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 entity’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the [consolidated and separate] 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 entity 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 [consolidated and separate] 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 [type of auditee] to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the [consolidated and separate] 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

I communicate with the accounting authority 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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

ANNUAL FINANCIAL STATEMENTS

INDEX

ABBREVIATION USED

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
PFMA	Public Finance Management Act

The annual financial statements set out on page 66, which have been prepared on the going concern basis, were approved by the board of members on 31 July 2025 and were signed on its behalf by:

....

Manye Moroka
Chief Executive Officer
Municipal Demarcation Board
31 July 2025

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

Description	Note(s)	2025 R000	2024 R000
Assets			
Current Assets			
Inventories	3	217	240
Receivables from exchange transactions	4	2 168	1 957
Cash and cash equivalents	5	33 691	38 230
		36 076	**40 427**
Non-Current Assets			
Property, plant and equipment	6	1 828	1 097
Intangible assets	7	676	877
		2 504	**1 974**
Total Assets		**38 580**	**42 401**
Liabilities			
Current Liabilities			
Operating lease liability	8	-	80
Payables from exchange transactions	9	4 183	4 399
		4 183	**4 479**
Total Liabilities		**4 183**	**4 479**
Net Assets		**34 397**	**37 922**
Accumulated surplus		34 394	37 924
Total Net Assets		**34 394**	**37 924**

STATEMENT OF FINANCIAL PERFORMANCE

Description	Note(s)	2025 R000	2024 R000
Revenue			
Revenue from exchange transactions			
Sundry income	10	1 247	8
Interest income	10	2 069	2 481
Total revenue from exchange transactions		**3 316**	**2 489**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	11	74 191	73 104
Total revenue		**77 507**	**75 593**
Expenditure			
Employee related costs	12	(45 460)	(46 825)
Depreciation and amortization	13	(1 034)	(1 104)
Other operating expenses	14	(11 908)	(8 857)
Bad debts written off		-	(12)
Administrative costs	15	(22 635)	(19 030)
Total expenditure		**(81 037)**	**(75 828)**
Deficit for the year		**(3 530)**	**(235)**

STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated surplus / deficit R 000	Total net assets R 000
Balance at 01 April 2023	**38 159**	**38 159**
Changes in net assets Surplus for the year	(235)	(235)
Total changes	(235)	(235)
Balance at 01 April 2024	**37 924**	**37 924**
Changes in net assets Surplus for the year	(3 530)	(3 530)
Total changes	(3 530)	(3 530)
Balance at 31 March 2025	**34 394**	**34 394**

CASH FLOW STATEMENT

Description	Note(s)	2025 R000	2024 R000
Cash flows from operating activities			
Receipts			
Grants	11	74 191	73 104
Interest received		2 084	2 463
Other receipts		1 244	22
		77 519	**75 589**
Payments			
Employee costs		(44 942)	(45 051)
Suppliers		(35 550)	(31 254)
		(80 494)	(76 305)
Net cash flows from operating activities	16	**(2 975)**	**(716)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 564)	(345)
Net increase/(decrease) in cash and cash equivalents		**(4 539)**	**(1 061)**
Cash and cash equivalents at the beginning of the year		38 230	39 293
Cash and cash equivalents at the end of the year	5	**33 691**	**38 232**

The accounting policies on pages 72 to 76 and the notes on pages 77 to 92 form an integral part of the annual financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Approved budget R 000	Adjustments R 000	Final Budget R 000	Actual amounts on comparable basis R 000	Difference between final budget and actual R 000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sundry income	-	-	**-**	1 247	**1 247**	**Note 26**
Interest received	**1 900**	-	**1 900**	2 069	**169**	
Total revenue from exchange transactions	**1 900**	-	**1 900**	**3 316**	**1 416**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	74 191	-	**74 191**	74 191	-	
Total revenue	**76 091**	-	**76 091**	**77 507**	**1 416**	
Expenditure						
Personnel	(46 536)	(920)	**(47 456)**	(45 460)	**1 996**	**Note 26**
Depreciation and amortization	-	-	**-**	(1 034)	**(1 034)**	**Note 26**
Other Operating Expenses	(8 397)	(4 777)	**(13 174)**	(11 908)	**1 266**	**Note 26**
Administrative Costs	(21 258)	(11 405)	**(32 663)**	(22 635)	**10 028**	**Note 26**
Total expenditure	**(76 191)**	**(17 102)**	**(93 293)**	**(81 037)**	**12 256**	
Deficit before taxation	**(100)**	**(17 102)**	**(17 202)**	**(3 530)**	**13 672**	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**(100)**	**(17 102)**	**(17 202)**	**(3 530)**	**13 672**	
Reconciliation						
Basis difference						
Non-cash items	1 034					
Asset purchase	(1 564)					
Actual Amount in the Statement of Financial Performance	**(4 061)**					

ACCOUNTING POLICIES

1. Significant account policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period. 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 the business.

1.2 Presentation currency

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

1.3 Significant judgements and sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimations, and uncertainty at the reporting date which hold a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

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.

Determination of recoverable amount and impairment of financial assets

Where impairment indicators exist, management is required to make assumptions to determine the recoverable amount. On each reporting date, the MDB assesses whether a financial asset is impaired. The individual non-cash generating assets are reviewed for any indicators of impairment. If there is objective evidence that an impairment loss on an asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount.

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 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.

Any material adjustments to the estimated remaining useful life and residual value of assets will have an impact on the carrying value of those items.

The entity assesses the probability of expected future economic benefits or service potential using ability of asset/s to continue being used by the MDB and being beneficial in its operations. This will represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

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

1.5 Intangible assets

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.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it. there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3-9 Years

1.6 Financial instruments

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 unfavorable 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.

Initial recognition and measurement

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

Financial instruments are measured initially at fair value.

Subsequent measurement of financial assets and financial liabilities

Receivables from exchange transactions

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

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, These, are initially recorded at fair value and subsequently measured at amortised cost.

Impairment and uncollectibility of financial assets.

At each end of the reporting period the entity assesses all financial assets 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 a financial asset only when:

- the MDB transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- 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.

1.7 Leases

Leases

At inception of a contract, the MDB assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Some lease contracts include both lease and non-lease components, therefore, non-lease components are accounted for as operating expenses and are recognised in surplus or deficit as they are incurred.

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.

1.8 Inventories

Inventories comprise current assets for consumption or distribution during the ordinary course of the business. Inventories are measured at the lower cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or

Inventory in the MDB consists of stationery. Stationery is capitalised upon purchase and expensed once consumed.

1.9 Employee benefits

Short-term employee benefits

Short-term employee benefits encompass all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short-term employee benefits include remuneration, compensated absences, and bonuses. These short-term employee benefits are measured at their undiscounted costs in the period the employee renders the related service, or the specific event occurs.

Defined contribution plans

This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund.

Termination Benefits

Termination benefits are measured at their undiscounted costs in the period the employee service is terminated

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 17.

1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Measurement

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions 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.

1.12 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Government grants

Government grants are recognised as revenue.

- When it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- When the amount of the revenue can be measured reliably.
- To the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Grants are measured at the fair value received or receivable.

The government grant received does not have any specific condition attached and is recognised as revenue once committed.

1.13 Irregular, Fruitless and wasteful expenditure

Irregular expenditure is expenditure that is contrary to legislation, including, but not limited to the Public Finance Management Act (PFMA) and National Treasury regulations.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of irregularity unless it is impracticable to determine, in which case reasons are provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery.

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

1.14 Related parties

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.

The MDB is a constitutional institution established in terms of Section 155(2)(b) of the Constitution and operates independently of the national government. Because of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government within the same Department structure are considered to be related parties.

The Board and key management are defined as being individuals with authority and responsibility for planning, directing and controlling the activities of the entity. The MDB regards all members of the Executive Committee reporting directly to the Chief Executive Officer as key management individuals.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2025 or later periods:

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 104 (as revised) Financial Instruments	1 April 2025	Unlikely there will be a material impact
GRAP 1(amended) Presentation of Financial Statements (Going concern)	To be determined	Unlikely there will be a material impact
Guideline: Guideline on the application of materiality to financial statements	To be determined	Unlikely there will be a material impact

Description	Note(s)	2025 R000	2024 R000
3. Inventories			
Consumable stores		217	240
3.1 Inventory reconciliation			
Opening Balance		240	188
Additions		116	96
Consumption		(139)	(42)
		217	**240**

Inventory consists of consumables(stationery) recognised at cost.

Inventory pledged as security

Inventory is not pledged as security.

Description	Note(s)	2025 R000	2024 R000
4. Receivables from exchange transactions			
Staff Advance		231	220
Lease Deposit		29	-
Interest income accrued		157	172
Staff Debtors		30	66
Prepaid expenses*		1 721	1 499
		2 168	**1 957**

*Asset includes prepayments made in advance by MDB towards services that allow usage over a period of 12 or 24 months. The expected timing of receiving/utilising of the services takes place for 24/ 12 months or less depending on agreement with provider.

Description	Note(s)	2025 R000	2024 R000
5. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Cash on hand - Petty Cash		7	3
Bank balances - Main Account		98	100
Short-term deposits - Call Account		33 586	38 127
		33 691	**38 230**
Cash and cash equivalents held by the entity that are not available for use by the economic entity		-	-

6. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 072	(2 020)	52	2 060	(1 966)	94
Motor vehicles	1 275	(863)	412	1 275	(739)	536
Office equipment	196	(189)	7	188	(179)	9
IT equipment	3 997	(2 640)	1 357	2 453	(2 000)	453
Leasehold improvements	2 366	(2 366)	-	2 366	(2 361)	5
Total	**9 906**	**(8 078)**	**1 828**	**8 342**	**(7 245)**	**1 097**

Assets were assessed for useful lives and residual value.

Reconciliation of property, plant and equipment – 2025

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	94	12	(54)	52
Motor vehicles	536	-	(124)	412
Office equipment	9	9	(9)	9
IT equipment	453	1 543	(641)	1 355
Leasehold improvements	5	-	(5)	-
	1 097	**1 564**	**(833)**	**1 828**

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	177	18	(101)	94
Motor vehicles	659	-	(123)	536
Office equipment	24	-	(15)	9
IT equipment	731	327	(605)	453
Leasehold improvements	47	-	(42)	5
	1 638	**345**	**(886)**	**1 097**

Description	Note(s)	2025 R000	2024 R000
Pledged as security			
Property, plant and equipment assets are not pledged as security.			
Assets subject to operating lease (Net carrying amount)			
Leasehold improvements		-	5

7. Intangible assets

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software - Acquired	2 501	(1 825)	676	2 501	(1 624)	877

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	877	(201)	676

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software - Acquired	1 095	(218)	877

Pledged as security

Intangible assets are not pledged as security.

Restricted title

Carrying value of intangible assets whole title is not restricted.

	2025 R000	2024 R000
8. Operating lease liability		
Current liabilities	-	80

Description	Note(s)	2025 R000	2024 R000
9. Payables from exchange transactions			
Trade payables		(23)	691
Employee liabilities		44	65
Leave pay accrued		4 162	3 643
		4 183	**4 399**
10. Other revenue			
Sundry income		1 247	8
Interest income		2 069	2 481
		3 316	**2 489**
Sundry income comprised of recoveries made from a court case, bursary fees, interest on debtors and refund from a supplier.			
The amount included in other revenue arising from exchanges of goods or services are as follows:			
Bank Interest income		2 069	2 481
Recoveries		565	-
Interest on debtors		5	8
Refund		677	-
11. Government grants			
Operating grants			
National Department of Cooperative Governance and Traditional Affairs		74 191	73 104
Conditional and Unconditional			
Included in the above are the following grants received:			
Unconditional grants received		74 191	73 104
12. Employee related costs			
Basic		29 205	28 771
Bonus		-	2 311
UIF		99	102
Leave benefits movement		981	751
Insurance cover *		1 554	1 865
Travel, motor car, accommodation, subsistence and other allowances		628	359
Other non-pensionable allowance		12 687	12 320
Other salary related costs		306	346
		45 460	**46 825**

*Insurance cover is a benefit provided by the MDB to permanent employees for holding an active life insurance cover during period of employment.

Description	Note(s)	2025 R000	2024 R000
13. Depreciation and amortisation			
Property, plant and equipment		833	887
Intangible assets		201	217
		1 034	**1 104**
14. Operating Expenses			
Rental of building		3 703	3 385
Courier and delivery charges		16	51
Repairs and maintenance		81	286
License renewal		2 081	1 542
IT Consumables		62	40
Travel and accommodation		5 965	3 553
		11 908	**8 857**
Operating expenses define expenses which are incurred for the core functions of the MDB operations.			
15. Administrative Costs			
External Audit Fees		2 842	2 101
Advertising		1 351	4 003
Internal Audit Fees		1 207	566
Bank charges		52	36
Consulting and professional fees		3 649	1 904
Insurance		190	192
Conferences and seminars		382	613
Recruitment costs		47	29
Printing and stationery		337	52
Security Services		773	773
Employee Assistance Programme		14	18
Telephone and fax		127	154
Other expenses		3 858	2 679
Publications, notices and gazettes		125	191
Members Allowance		4 448	4 751
Legal fees		2 520	363
Stationery		139	42
Employee training fees		574	563
		22 635	**19 030**
The MDB considers administrative costs as costs that are not directly attributable to the core function of the organisation but are necessary to support the core functions and daily operations.			

Description	Note(s)	2025 R000	2024 R000
16. Cash used in operations			
Deficit		(3 530)	(235)
Adjustments for:			
Depreciation and amortisation		1 034	1 104
Bad debts written off		-	**12**
Movements in operating lease assets and accruals		(80)	(276)
Other		5	(13)
Changes in working capital:			
Inventories		23	(52)
Receivables from exchange transactions		(211)	(327)
Payables from exchange transactions		(216)	(929)
		(2 975)	**(716)**

17. Contingent Asset

There are no contingent assets to disclose in accordance with GRAP 19 as no possible assets have been identified in the 2024/25 financial year that meet the criteria for disclosure.

18. Related parties

Relationships	
Executive members	Refer to Emoluments note 19
Non-executive members	Refer to Emoluments note 19
Members of key management	Department of Cooperative Governance and Traditional Affairs

Description	Note(s)	2025 R000	2024 R000
Related party transactions			
Department of Cooperative Governance and Traditional Affairs		**74 191**	**73 104**

The MDB is a constitutional institution established in terms of Section 155(2)(b) of the Constitution and operates independently of the national government. The MDB is not considered to be under the control of the national government, as the government does not have the power to direct the Board's relevant activities. However, for the purposes of the disclosures of related party transactions, the MDB recognises that it is related to other entities within the national sphere of government due to common oversight and financial dependencies.

There were no related party transactions between Municipal Demarcation Board (MDB) and Department of Cooperative Governance and Traditional Affairs (DCoGTA) other than grant allocation transfer.

The MDB had related party relationships with other national public sector entities, including the National Treasury and the Department of Cooperative Governance and Traditional Affairs (DCGTA). These relationships arose due to funding arrangements, budget submissions, and reporting obligations. The MDB also acknowledges related parties in the form of other constitutional institutions operating under common oversight.

	Salary	Bonus	Allowances	Defined contribution plan	Termination	Total
19. Emoluments						
Executives						
2025						
Mr MR Moroka (CEO)	2 139	-	66	-	-	2 206
Mr A Ramagadza (COO)	1 496	-	211	-	-	1 707
Mrs SR Bapela (EM:CS)	1 486	-	49	-	-	1 535
Ms ND Khabutlane (CFO)	1 419	-	96	-	-	1 515
	6 540	**-**	**423**	**-**	**-**	**6 962**
2024						
Mr MR Moroka (CEO)	1 739	94	329	-	-	2 161
Ms ND Khabutlane (CFO)	561	69	279	-	-	909
Ms T Baadjie(CFO) Resigned April 2023	55	14	9	-	160	238
Mr A Ramagadza (COO)	1 155	92	668	-	-	1 915
Mrs SR Bapela (EM:CS)	1 020	83	472	-	-	1 574
Mrs M Mahlangu (Acting CFO)	483	-	66	-	-	549
	5 013	**350**	**1 823**	**-**	**160**	**7 346**

	Members' fees	Other fees	Total
Non-executive			
2025			
TM Manyoni (Board Chairperson) - Reappointed on 1 March 2024	1 550	294	1 844
Dr DM Mohale (Deputy Chairperson)	286	27	313
D Coovadia (Chairperson: Audit, Risk and ICT Committee)	165	-	165
EM Tukakgomo	217	18	235
SM Maseko	195	18	213
Prof SG Bouillon	170	18	188
PP Moloi	213	18	231
U Pillay	260	14	274
NL Baart	328	30	358
MT Mabuza	191	11	202
GG Gumbi-Masilela	279	23	302
MM Phiri (New AR&ICT Committee Chairperson) - Appointed 07 January 2025	124	-	124
	3 978	**471**	**4 449**
2024			
TM Manyoni (Board Chairperson)	1 647	395	2 042
MP Myeni (Deputy Chairperson)	374	27	401
G Apelgren-Narkedien	297	16	313
NL Baliso	356	17	373
Adv MP Motlogelwa	215	16	231
Dr DM Mohale(Deputy Chairperson)	269	28	297
AI Kekesi	338	27	365
MS Mooki	278	16	294
TC Dubazana	277	28	305
D Coovadia (Chairperson: Audit, Risk and ICT Committee)	130	-	130
	4 181	**570**	**4 751**

	At amortised cost	Total
20. Financial instruments disclosure		
Categories of financial instruments		
2025		
Financial assets		
Trade and other receivables from exchange transactions – note 4	447	447
Cash and cash equivalents – note 5	33 691	33 691
	34 138	**34 138**
Financial liabilities		
Trade and other payables from exchange transactions	(23)	(23)
2024		
Financial assets		
Trade and other receivables from exchange transactions	458	458
Cash and cash equivalents	38 230	38 230
	38 688	**38 688**
Financial liabilities		
Trade and other payables from exchange transactions	691	691

Description	2025 R000	2024 R000

21. Commitments

This committed expenditure relates to capital and operating expenditure and will be financed by available existing cash resources, retained surpluses and funds allocated by the Department of Cooperative Governance and Traditional Affairs.

Operating leases - the Board as lessee

Minimum lease payments due - within one year	-	744
Rental expenses relating to operating leases Minimum lease payments	-	744

The Board has entered into a lease agreement for a further 5 years with a 6 percent escalation. The lease was active from 1 July 2019 to 30 June 2024. Lease payments escalate by 6 percent annually and are payable monthly, in advance.

There is no option to purchase at the end of the 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.

The Board has extended the lease agreement for 6 months until 31 December 2024. The lease commitment has not been adjusted to a month-to-month contract. As of 31 March 2025, there was no new commitment as the lease remained on a month-to-month basis.

Commitments (Contracts and Open PO)

Total Commitments	6 919	8 158
Operational expenditure commitments	5 941	8 158
Capital expenditure commitments – Computer equipment	978	-

22. Risk management

Financial risk management

The organisation's activities expose it to liquidity risk, credit risk and market risk (interest rate risk).

Liquidity risk

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

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and available funds.

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 2025	Less than 1 year
Trade and other payables	(23)

At 31 March 2024	Less than 1 year
Trade and other payables	691

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Interest rate risk

The MDB is subjected to interest rate risk affecting the bank interest income, which yielded R2,0 million additional revenue in the financial year. The interest is earned from retained surplus funds according to approval by National Treasury. Changes in the interest rates will affect the interest revenue.

23. Going concern

The Municipal Demarcation Board (MDB) prepares its annual financial statements in terms of Generally Recognised Accounting Practice (GRAP).

GRAP 14, Paragraph 14 requires the entity to determine whether the going concern assumption is appropriate at the reporting dates. Management has determined that the entity is a going concern due to the following:

GRAP 14, Paragraph 15 states that "An entity shall not prepare its financial statements on the going concern basis if management determines after the reporting date either that there is an intention to liquidate the entity or to cease operating, or that there is no realistic alternative but to do so."

The Municipal Demarcation Board is considered to be a going concern after consideration of the following factors:

- Total assets exceeds total liabilities.
- The accumulated equity surplus reserves.
- The organisation holds enough cash reserves to meet debt obligations as they become due and payable.

The MDB operations are funded by allocation received from Parliament through the National Department of Cooperative Governance and Traditional Affairs.

The MDB has received an allocation of R77,186 million from the Department of Cooperative Governance and Traditional Affairs to fund operations and planned projects for the 2025/2026 financial year.

The MDB is established by Parliament and mandated to demarcate municipal boundaries of the entire territory of the Republic. To date, there has been no expected change in the mandate which the MDB was established for.

Based on the factors above, the annual financial statements for the period ending 31 March 2025 have therefore been prepared on a going concern basis.

24. Subsequent Events

Except for events disclosed in other notes within these annual financial statements, no material events have occurred after reporting date 31 March 2025 and before authorisation of these annual financial statements for issue, 31 May 2025, that require adjustment or disclosure.

Description	2024 R000	2023 R000
25. Irregular, fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	-	-
Irregular expenditure*	-	1 395
Closing balance	**-**	**1 395**

There was no fruitless and wasteful expenditure in the FY2024/25 year.

*The irregular expenditure in the prior year of R1 395 011.80 related to that during performing of procurement through the process of Request for Quotations, emails sent to 8 prospective suppliers did not include an evaluation criteria on how the supplier will be assessed. This is contravention to the Preference Procurement Regulations (PPR) 2022 to the PPPFA section 3 subsection 1 and 2.

26. Budget differences

Material differences between budget and actual amounts

There is an overall variance of approximately 9 percent between budget and actual amounts.

The reasons for the variances are as follows:

- Bank interest received: is higher than budgeted amount due to MDB retaining surplus not utilised in the previous financial year.
- Sundry income: was not budgeted for as arose from unexpected events which could not be reliably estimated during the budget period.
- Prior year approved rollover: In line with the budget processes and approval of the retention of prior year surplus, the rolled-over funds are brought into the books through the adjustment budget as income once National Treasury has approved. These funds would have been accrued and recognised as revenue in the statement of financial performance in the prior year and they are thus not accrued for again in the current year. However, they form part of the funds that are utilised (expenditure raised against the budgeted income) in the current year. From the prior year retained surplus funds, R17,1 million was incorporated into the 2024/25 budget, totaling R93,3 million.
- Depreciation and amortisation: These items are not budgeted for because they are non-cash items.
- The budgeted inflation rate incorporated into rental expense, cleaning and security services did not occur as a result of procurement processes being in progress by 31 March 2025.

NOTES

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Municipal Demarcation Board

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