MISA

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

Today, Creating a Better Tomorrow

2030 NDP

ANNUAL REPORT
2018/2019 FINANCIAL YEAR

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

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PART A
GENERAL INFORMATION

1. GENERAL INFORMATION FOR MISA

REGISTERED NAME:	**MUNICIPAL INFRASTRUCTURE SUPPORT AGENT**
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BANKERS:	**STANDARD BANK**
COMPANY/ BOARD SECRETARY	**N/A**

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AoPO	Audit of Predetermined Objectives
APP	Annual Performance Plan
ARPL	Artisans Recognition for Prior Learning
ASB	Accounting Standards Board
B2B	Back to Basics
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DCOG	Department of Cooperative Governance
DDG	Deputy Director General
DORA	Division of Revenue Act
DoT	Department of Transport
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DWS	Department of Water and Sanitation
FMPPI	Framework for Managing Programme Performance Information
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
HRD	Human Resources Development
IAA	Infrastructure Assessment Analysis subprogramme
ICT	Information Communication Technology
IDMS	Infrastructure Delivery Management System
IDMS	Infrastructure Delivery Management Support Programme
IDMSC	Infrastructure Delivery, Maintenance and Stakeholder Coordination subprogramme
IDPs	Integrated Development Plans
IMTT	Inter-Ministerial Task Team on Service Delivery
IT	Information Technology
LGTAS	Local Government Turnaround Strategy
M&E	Monitoring and Evaluation
MIG	Municipal Infrastructure Grant
MISA	Municipal Infrastructure Support Agent
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NT	National Treasury
OHS	Occupational Health and Safety Act
OSD	Occupational Specific Dispensation
PAAP	Post Audit Action Plan
PFMA	Public Finance Management Act
PMDS	Performance Management Development System
PMU	Project Management Unit
PSP	Professional Service Providers
RMSC	Regional Management Support Contracts
SANRAL	South African National Road Agency Limited
SCM	Supply Chain Management
SMS	Senior Management Services
SO	Strategic Objectives
TSP	Technical Support Plan
TVET	Technical Vocational Education and Training Colleges

3. FOREWORD BY THE MINISTER

At the beginning of the 2018/19 financial year the Cooperative Governance and Traditional Affairs (CoGTA) Portfolio identified 87 municipalities that were considered to be distressed for prioritised support. These municipalities were selected following an assessment conducted as part of the review of progress in the implementation of the Back to Basics approach. Out of this list of distressed municipalities, 55 were experiencing enormous challenges with regard to the delivery of infrastructure for basic services with severe impact of service delivery to communities. These challenges manifested mainly in perennial underspending of capital budgets, especially inter-fiscal transfers channelled through conditional grants such as the municipal infrastructure grant (MIG) and frequent service disruptions due to infrastructure breakdown. The identified underlying causes for MIG underspending were inadequate capacity emanating from either high vacancy rate in technical departments of affected municipalities or wrongful appointments, dysfunctional Project Management Units (PMUs), low investment in infrastructure maintenance and refurbishment, as well as general institutional weaknesses.

MISA deployed district support teams comprising multi-skilled professionals and young graduates to support the 55 municipalities. The main focus of these teams was to enhance the capacity of targeted municipalities for implementing infrastructure projects in the short term and assisting with the building of internal capacity in these municipalities to ensure self-sufficiency in the medium to long term. As a result of support through MISA's District Support Teams, 44 of these municipalities showed significant performance improvements by the end of January 2019. These municipalities succeeded in averting the stopping and reallocation of their MIG allocation.

Another key programme spearheaded by MISA is the Integrated Service Delivery programme targeted at 57 municipalities across the country. The main objective of this programme is to unlock delivery constraints to enable the acceleration of infrastructure development in identified municipalities through a coordinated service delivery approach. The municipalities in the list of 57 (8 Metropolitan Municipalities, 43 Local Municipalities and 6 Districts) were selected on the basis of their high potential to contribute to economic growth and improving the material conditions of a high number of the country's population. These municipalities, together, generate about 84% of South Africa's Gross Domestic (GDP). They are also home to 72% of the country's total population and 75% of total households.

An integral part of the Integrated Service Delivery Approach is the programme to address misalignment between the bulk infrastructure and reticulation infrastructure for water and sanitation services. This programme is currently being implemented in 18 municipalities to enable them to develop reticulation infrastructure necessary to connect households to water supply. MISA will continue to implement this programme in collaboration with the relevant sector departments, the Development Bank of Southern Africa (DBSA) and relevant private sector agencies. The project team is also exploring innovative mechanisms for financing infrastructure development projects in seven municipalities identified as pilots.

During the year under review, CoGTA embarked on a number of visits to various municipalities across the country with the aim of assessing the status quo on service delivery. Municipalities visited during the period include Ditsobotla in the North West, Govan Mbeki in Mpumalanga, Abaqulusi in Kwazulu-Natal, Collins Chabane and Giyani in Limpopo, Maluti-a-Phofung in the Free State and Makana in the Eastern Cape. A common problem in municipalities visited was the sewer spillages, which is a manifestation of both poor maintenance of sanitation infrastructure and/or lack of upgrade for capacity expansion necessitated by growing settlements. It is crucial for municipalities to come up with appropriate mechanisms to stem this problem considering that it does not only impact on service delivery but also pose serious health hazards to members of communities, especially young children. Another area of concern identified during the Ministerial visits is governance challenges in many municipalities that hamper effective delivery of services. In addressing this problems, the Department of Cooperative Governance (DCOG) is setting up panels of experts to address governance challenges in distressed municipalities.

MISA will continue to support distressed municipalities to ensure that sufficient internal capacity is created for the optimal delivery of basic service infrastructure. More efforts will be directed at supporting municipalities continuing to underspend their MIG allocations. Simultaneously, MISA will be engaging National Treasury and other key stakeholders with the aim of designing an alternative delivery mechanism for municipalities that have been consistently losing their allocations due to stopping and reallocation to better performing municipalities. The reallocation of such funds adversely impact on the lives of people intended to benefit from such funds.

I am deeply grateful to the Chief Executive Officer, the entire management team and all staff in MISA for their tremendous efforts towards enhancing the delivery of municipal infrastructure and services for the benefit of the citizens. I am also thankful to the Deputy Ministers for their unwavering support and invaluable contributions to the process of addressing challenges facing the local government sphere.

NC Zuma

DR NKOSAZANA DLAMINI ZUMA, MP
MINISTER

4. DEPUTY MINISTER STATEMENT

The back to basics approach aptly places more emphasis on the need for municipalities to deliver infrastructure for basic services to the right quality and at the right time. Our engagements with stakeholders during the Ministerial visits to selected municipalities served to underscore the importance of going back to basics. It is only through the implementation of this approach that municipalities will be able to ensure that there is minimum disruptions to water and electricity supply, potholes are fixed as quickly as possible, grass on the verges of the roads is frequently cut, refuse is regularly removed and stormwater drainage system remains functional at all times.

Evidence emerging from the Ministerial visits revealed that the state of infrastructure for basic services such as water and sanitation, electricity distribution and roads are largely in a state of disrepair. This is manifested in the frequent disruption of services in most areas and the visibly poor conditions of certain assets. More glaring is the increasing cases of sewer spillages prevailing in many municipalities, which is attributed to lack of proper management of sanitation infrastructure or overstretched capacity of existing assets as more connections are added without the concomitant expansion of the underlying infrastructure. During the period under review, the Municipal Infrastructure Support Agent (MISA) supported municipalities with severe sanitation problems such as Emfuleni, Abaqulusi, Ditsobotla, Govan Mbeki, Maluti-a-Phofung and Makana, among others. These municipalities were in the list of 87 municipalities considered to be distressed.

Another major challenge identified through engagements with municipalities is the weak governance system in some municipalities that adversely impact on the delivery of infrastructure and services. Most municipalities struggling to spend their Municipal Infrastructure Grant (MIG) allocations are saddled with immense governance challenges. It is, therefore, not sufficient to focus on addressing only technical capacity challenges in municipalities without dealing with the broader institutional issues. DCOG is embarking on the process of appointing panels of experts to address institutional challenges in the 87 municipalities prioritised for support.

The building of internal capacity in municipalities remain the long term goal of MISA and other stakeholders involved in capacity building at local government level. MISA has been supporting seven municipalities in Limpopo Province with the development of comprehensive capacity building plans as a pilot in the implementation of the Capacity Building Framework developed in the previous financial year. One of the key challenge to be addressed is inability of municipalities to absorb qualified artisans and graduates after they undergo training with MISA support. There is a plan to engage municipalities with the aim of understanding the factors hindering the absorption of such artisans into their structures.

The Minister is leading the process of repositioning the Cooperative Governance and Traditional Affairs (COGTA) Portfolio to drive the implementation of the new integrated district based approach. This new model seeks to facilitate joint planning, implementation as well as monitoring and evaluation between and among spheres of government, at the district level. The main aim of adopting this model, championed by the President of the Republic, is to promote coherence in planning and implementation within government for effective monitoring and oversight over government's programmes. By integrating plans and efforts of all government agencies within each of the 44 district and 8 metropolitan spaces, government will optimise the impact of its programmes on the lives of its citizens. The integration with result in a single joined-up plan for each of the 52 spaces through which implementation will be driven. MISA will continue to play its role as the leading agency on municipal infrastructure capacity support within the confines of a single joined-up plan for each regional space.

It has been my pleasure to have an opportunity to contribute to the transformation of the municipal planning and infrastructure development landscape working with a dedicated team of managers in MISA. My work is being made easier because of unwavering support from the Chief Executive Officer, Directors-General and Deputy Minister Obed Bapela. I am also grateful to Minister Dlamini Zuma whose passion and drive towards the turnaround of distressed municipalities has invigorated our efforts to realise the vision of a developmental local government.

PARKS TAU
DEPUTY MINISTER FOR
COOPERATIVE GOVERNANCE

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The Municipal Infrastructure Support Agent's total budget for the year under review was R498 million. This amount includes the surplus amount of R156 million retained from the previous financial year. Total transfer from the National Revenue Fund received through the Cooperative Governance and Traditional Affairs (CoGTA) Vote was R342 million. In addition, an amount of R5 million was received from interests on the call account. Total expenditure for the year amounted to R420 million resulting in a deficit in the statement of financial performance of R73 million. The inclusion of retained funds amounting to R156 million, as mentioned above, resulted in an overall surplus of R83 million for the financial year. This surplus amount comprises R44 million ring-fenced for the Regional Management Support Contracts (RMSC) programme and R39 million arising from delays in the implementation of infrastructure projects. In the current financial year MISA intends to apply for the retention of surplus funds arising from underspending in 2018/19 relating to the RMSC programme and projects implementation.

Spending on the cost of employees of R163 million accounted for 39% of the total expenditure in the year under review. An amount of R191 million was spent on goods and services, representing 46% of the total spending for the year. Operational expenses amounted to R61 million which constitute 15% of the total annual expenditure. Spending on employee costs significantly increased from R65 million in the previous financial year to R163 million due to the rapid increase in the number of employees resulting from the recruitment drive to fill vacancies on the revised organisational structure. The implementation of the new structure enabled management to replace contracted individual consultants with technical professionals employed on a permanent basis in accordance with the Occupational Specific Dispensation (OSD) applicable to the engineering and planning professions.

MISA achieved performance targets for 29 of the 32 key performance indicators in the approved annual performance plan (APP) for 2018/19, which translates into an overall achievement of 91% for the year under review. This performance reflects a significant improvement in comparison to the achievement of 63% in the previous financial year. One of the three performance targets that was not achieved was under the Administration programme and two were under the Technical Support Services programme. The main reason for not achieving these two targets was delayed start in project implementation caused by slow procurement processes in the previous financial year and prolonged engagements with relevant stakeholders. The high level of achievement against APP targets is attributable to improvements in the procurement processes and project management in general. The strengthening of capacity within the organisation, especially in the core programmes, also contributed to improvements in overall organisational performance.

Management prioritised the filling of technical positions (engineers and town planners) and Provincial Managers during the recruitment process to enhance capacity within the core business. To date, 85 of the 93 technical and provincial management positions on the approved staff establishment have been filled. MISA is aiming to reduce the vacancy rate to a maximum of 10% by the end of the 2019/20 financial year. Whilst the organisation is experiencing delays in the filling of two Deputy Director General (DDG) positions, this process is at an advanced stage with only the approval by Cabinet still outstanding. As at the end of 2018/19, 44% of females occupied senior management positions against the gender equity targets of 50%. The organisation is aiming to achieve this target by the end of 2019/20 financial year.

MISA has made significant strides in addressing deficiencies in supply chain management (SCM) that were identified during the audits previously conducted by both Internal Audit and the Auditor-General. These deficiencies related mainly to non-compliance with the minimum period for advertising tenders, non-adherence to the local content threshold for procured goods and services, as well as extension of contracts without obtaining the necessary approvals. These improvements were possible following the strengthening of human resource capacity within the SCM unit through the filling of vacancies on the approved structure and additional capacity provided by the service provider appointed on a co-sourcing arrangement. MISA has built sufficient capacity and developed adequate systems and processes to optimally perform supply chain management functions without relying on external support. As a result of these improvements, MISA did not incur new irregular expenditure in the period under review. SCM processes and procedures are outlined in the comprehensive SCM Policies that are reviewed annually.

At the beginning of the financial year, MISA had an irregular expenditure amount of R282 million. The total irregular expenditure amount of R295, including R13 million incurred in 2018/19 financial but emanating from previous years' transactions, was approved by National Treasury in May 2019. This condonation has brought the irregular expenditure for MISA to zero. In the 2018/19 financial year MISA obtained an unqualified audit without findings or clean audit on both the annual financial statements and the audit of predetermined objectives (AoPO), which represents an improvement from the previous year's unqualified opinion with findings. This was as a result of management's efforts to effectively implement appropriate measures to further improve the internal control environment during the year under review.

Achievements highlighted in this report are duly attributable to commitment and efforts of the management team and all other staff members within MISA. I am grateful for the contribution made by my colleagues and their appreciation of the tough task of taking the organisation to even higher performance levels in the future. It is also important to acknowledge the combined assurance provided by both Internal Audit and the Audit Committee, which significantly contributed to the achievement of a clean audit opinion. It is also my pleasure to acknowledge the leadership and support provided by the Minister, Deputy Ministers and the Director-General of DCoG without which it would have been extremely difficult to reach our milestones for the year.

NTANDAZO G VIMBA
CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
DATE: 31/07/2019

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General. The annual report is complete, accurate and is 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 E) have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB). The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring that the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operational risk cannot be fully eliminated, the agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by Management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit. 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 and the financial affairs of the entity for the financial year ended 31 March 2019.

Yours faithfully

NTANDAZO G VIMBA
CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
DATE: 31/07/2019

7. STRATEGIC OVERVIEW

7.1 Vision

Our vision is to strive for sustainable municipal infrastructure and service delivery.

7.2 Mission

Our mission is to render technical advice and support to municipalities to enable them to optimise municipal infrastructure provisioning. By optimising the provision of infrastructure, municipalities will be able to deliver municipal services of the right quality and standards.

7.3 Values

Guided by the spirit of Batho Pele, our values are:
- Commitment to public service;
- Integrity and dedication to fighting corruption;
- A hands-on approach to dealing with local challenges;
- Public participation and people centered approach;
- Professionalism and goal orientation;
- Passion to serve; and
- Excellence and accountability.

8. LEGISLATIVE AND OTHER MANDATES

8.1 MISA's Mandate

MISA is mandated, in terms of the operational notice issued by the Minister in July 2013, to render technical advice and support to municipalities so that they optimise municipal infrastructure provision. MISA is expected to execute this mandate by performing the following functions:

- Supporting municipalities to conduct effective infrastructure planning to achieve sustainable service delivery;
- Supporting and assisting municipalities with the implementation of infrastructure projects as determined by the municipal integrated development plans (IDPs);
- Supporting and assisting municipalities with the operation and maintenance of municipal infrastructure;
- Building the capacity of municipalities to undertake effective planning, delivery, as well as operations and maintenance of municipal infrastructure; and
- Performing any function that may be deemed ancillary to those listed above.

As a government component under the Portfolio of Cooperative Governance and Traditional Affairs, MISA derives its mandate from the same legislative framework applicable to the entire CoGTA Portfolio. Its specific mandate is, however, set out in the Government Notice on Administration and Operations of the Municipal Infrastructure Support Agent gazetted on the 5th of July 2013, in accordance with the Public Service Act of 1994.

The broader legislative provisions that set out the mandate for CoGTA are presented below. Although MISA's operation is ring-fenced, the organisation operates as an integral part of the Department of Cooperative Governance that is legally designated as the parent department for MISA.

8.2 Constitutional Mandate

CoGTA's mandate is primarily derived from Chapters 3, 5, 6, 7, and 9 of the Constitution of the Republic of South Africa, 1996, hereafter referred to as the Constitution. The main thrust for each of these chapters is presented below.

Chapter 3 - This chapter deals with cooperative government and intergovernmental relations. The Department will have to ensure that we observe and adhere to the principles in this chapter and that we conduct our activities within the parameters of this chapter.

Chapter 5 - This chapter deals with national intervention in provincial administration when a province cannot or does not fulfil an executive obligation in terms of the Constitution or legislation.

Chapter 6 - This chapter deals with provincial intervention in local government, in particular when municipalities are unable to fulfil their executive obligation. Chapter 6 is also relevant when a municipality, as a result of financial crisis, breaches its obligations to provide basic services in order to meet its financial obligations.

Chapter 7- The chapter deals, inter alia, with municipalities in cooperative governance. The Department, by legislation, must support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions.

Chapter 9 - This chapter deals with those institutions whose role requires strengthening the constitutional democracy of the country. The DCoG has to comply with all legislative frameworks in this chapter in order to meet legislative requirements under the auspices of institutions such as the Auditor-General and Public Protector.

DCoG's primary mandate is to:
- Develop and monitor the implementation of national policy and legislation seeking to transform and strengthen key institutions and mechanisms of governance to fulfil their developmental role.
- Develop, promote and monitor mechanisms, systems and structures to enable integrated service delivery and implementation within government.
- Promote sustainable development by providing support to and exercising oversight over provincial and local government.

8.3 Legislative Mandate

As a national department, DCOG's function is to develop national policies and legislation with regard to local government and to monitor, inter alia, the implementation of the following pieces of legislation:

Name of Legislation	Mandate
Municipal Property Rates Act, 2004 (Act No.6 of 2004)	To regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies; to make provision for fair and equitable valuation methods of properties; and to make provision for an objections and appeals process therewith.
Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)	To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.

Name of Legislation	Mandate
Disaster Management Act, 2002 (Act No. 57 of 2002)	To provide for: • An integrated and coordinated disaster management policy, which focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery. • The establishment of national, provincial and municipal disaster management centres. • Disaster management volunteers. • Matters incidental thereto.
Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)	To provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities; to ensure universal access to essential services that are affordable to all; to define the legal nature of a municipality as including the local community within the municipal area, working in partnership with the municipality's political and administrative structures; to provide for the manner in which municipal powers and functions are exercised and performed; to provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change, which underpin the notion of developmental local government; to provide a framework for local public administration and human resource development; to empower the poor and ensure that municipalities establish service tariffs and credit control policies that take their needs into account, by providing a framework for the provision of services, service delivery agreements and municipal service districts; to provide for credit control and debt collection; to establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment.
Local Government: Municipal Structures Act,1998 (Act No. 117 of1998)	To provide for the establishment of municipalities, in accordance with the requirements relating to categories and types of municipality; to establish criteria for determining the category of municipality to be established in an area; to define the types of municipality that may be established within each category; to provide for an appropriate decision of functions and powers between categories of municipality; to regulate the internal systems, structures and office-bearers of municipalities; to provide for appropriate electoral systems; and to provide for matters in connection therewith.
The Intergovernmental Relations Framework Act(Act No. 13, of 2005)	The objective of this Act is to facilitate coordination by the three spheres of government in the implementation of policy and legislation. It is a Framework Act, which allows for flexibility between the spheres in meeting the challenges within the conduct and practice of cooperative government. It also provides for the basic architecture of intergovernmental structures and for processes to guide the settlement of intergovernmental disputes.
Local Government: Municipal Demarcation **Act, 1998 (Act No. 27 of 1998)**	To provide for criteria and procedures for the determination of municipal boundaries by an independent authority; and to provide for matters connected thereto.
Organised Local Government Act, 52 of 1997	To provide for the recognition of national and provincial organisations representing the different categories of municipalities; to determine procedures by which local government may designate representatives to participate in the National Council of Provinces; to determine procedures by which local government may consult with national and provincial government; to determine procedures by which local government may nominate persons to the Financial and Fiscal Commission; and to provide for matters connected therewith.
Fire Brigade Services Act, 99 of 1987	To provide for the establishment, maintenance, employment, coordination and standardisation of Fire Brigade Services; and for matters connected therewith.

Name of Legislation	Mandate
Remuneration of Public Bearers Act, 20 of 1998	To provide for a framework determining the salaries and allowances of the President, members of the National Assembly, permanent delegates to the National Council of Provinces, Deputy President, ministers, deputy ministers, traditional leaders, members of provincial Houses of Traditional Leaders and members of the Council of Traditional Leaders; to provide for a framework determining the upper limit of salaries and allowances of Premiers, members of Executive Councils, members of provincial legislatures and members of Municipal Councils; to provide for a framework determining pension and medical aid benefits of office bearers; to provide for the repeal of certain laws; and to provide for matters connected therewith.

8.4 Policy Mandate

The National Development Plan (NDP) – Vision 2030

The National Development Plan (NDP) recognises the need for South Africa to invest in the expansion of its infrastructure network essential for the achievement of the country's socio-economic objectives. This goal of expanding infrastructure throughout the country can only be achieved through the development of robust infrastructure and ensuring that once developed the infrastructure assets are properly maintained.

Notwithstanding the pivotal role designated for local government in the ongoing roll-out and maintenance of infrastructure for the provision of basic services such as water, sanitation, electricity, solid waste as well as roads and storm-water, this sphere of government is still confronted with numerous challenges that continue to constrain the ability of most municipalities to fulfil this role. These challenges include the following:

- Lack of proper planning for the development of new infrastructure;
- Ineffective project management practices that adversely affect both the quality and duration of projects.
- Inadequate investment in operation and maintenance of existing infrastructure;
- Limited human and financial resources, especially in rural municipalities, to deliver and manage infrastructure for services provision;
- Inadequate bulk infrastructure to supply all households with basic services like water and electricity; and
- Lack of long term planning towards addressing infrastructure backlogs and enhancing the sustainability of the infrastructure.

Medium Term Strategic Framework for 2014 – 2019

The Medium Term Strategic Framework (MTSF) for the period 2014–2019, particularly the chapter on Outcome 9, provides a foundational base for the revised strategic plan of MISA (and COGTA) for 2014–2019 and the 2018/19 Annual Performance Plan (APP). MISA's Strategic Plan for 2014 – 2019 (as amended) and APP for 2018/19 were aligned to CoGTA's strategic plan for the same period. The Department of Cooperative Governance (DCOG) is responsible for leading and coordinating the implementation of Outcome 9, which seeks to build a "*Responsive, accountable, effective and efficient developmental local government system*". There are five sub-outcomes under Outcome 9 as listed below:

- Members of society have sustainable and reliable access to basic services.
- Intergovernmental and democratic governance arrangements for a functional system of cooperative governance and participatory democracy strengthened.
- Sound financial and administrative management.
- Promotion of social and economic development.
- Local public employment programmes expanded through the Community Work Programme.

In accordance with its core mandate, MISA has positioned itself to contribute towards the achievement of sub-outcome 1 of Outcome 9.

Sub Outcome 1 strives for "*Members of society to have sustainable and reliable access to basic services*". MISA contributes to the attainment of this sub-outcome by providing technical support to municipalities to enable them to properly plan for, deliver, operate and maintain municipal infrastructure aimed at expanding or maintaining access by households to basic services such as water and sanitation, electricity, waste collection and roads and storm water. This support was directed largely to municipalities within the 27 districts identified by Cabinet in 2011 as priority focus areas owing to their relatively high level of service backlogs.

The Local Government Back to Basics Strategy

The Minister of COGTA, in the COGTA Budget Vote delivered after the 2014 General Elections, set out the Back to Basics (B2B) approach, which was subsequently presented at the Presidential Local Government Summit in September 2014 and widely endorsed by all local government stakeholders.
The B2B programme is designed to ensure that all municipalities perform their basic responsibilities and functions without compromise. The programme is built on 5 pillars outlined below:

- Put people and their concerns first and ensure constant contact with communities through effective public participation platforms.
- Create conditions for decent living by consistently delivering municipal services of the right quality and standard. This includes planning for and delivery of infrastructure and amenities, maintenance and upkeep, including the requisite budgeting to do this and ensuring that there are no failures in services, and where there are, restore services with urgency.
- Be well governed and demonstrate good governance and administration, this includes cutting wastage, spending public funds prudently, hiring competent staff, and ensuring transparency and accountability.
- Ensure sound financial management and accounting, and prudently manage resources so as to sustainably deliver services and bring development to communities.
- Build and maintain sound institutional and administrative capabilities, administered and managed by dedicated and skilled personnel at all levels.

The methodology to operationalise the B2B approach was based on a more integrated and hands-on approach to cooperative governance intended to reassert the unitary nature of the South African state. This involves measuring and managing the performance of municipalities (through 'institutional performance management'), and recognising and responding differently to different levels of performance (a 'differentiated approach'). CoGTA is responsible for mobilising a coalition of stakeholders around the B2B approach to unlock the creative energies across all spheres of government and sectors of society, including the private sector. Part of this 'unlocking' valuable contribution by key players involves putting tools directly in the hands of citizens to hold their municipalities to account.

Relevant Court Rulings

There are no court rulings that have had an impact on MISA's strategic plan.

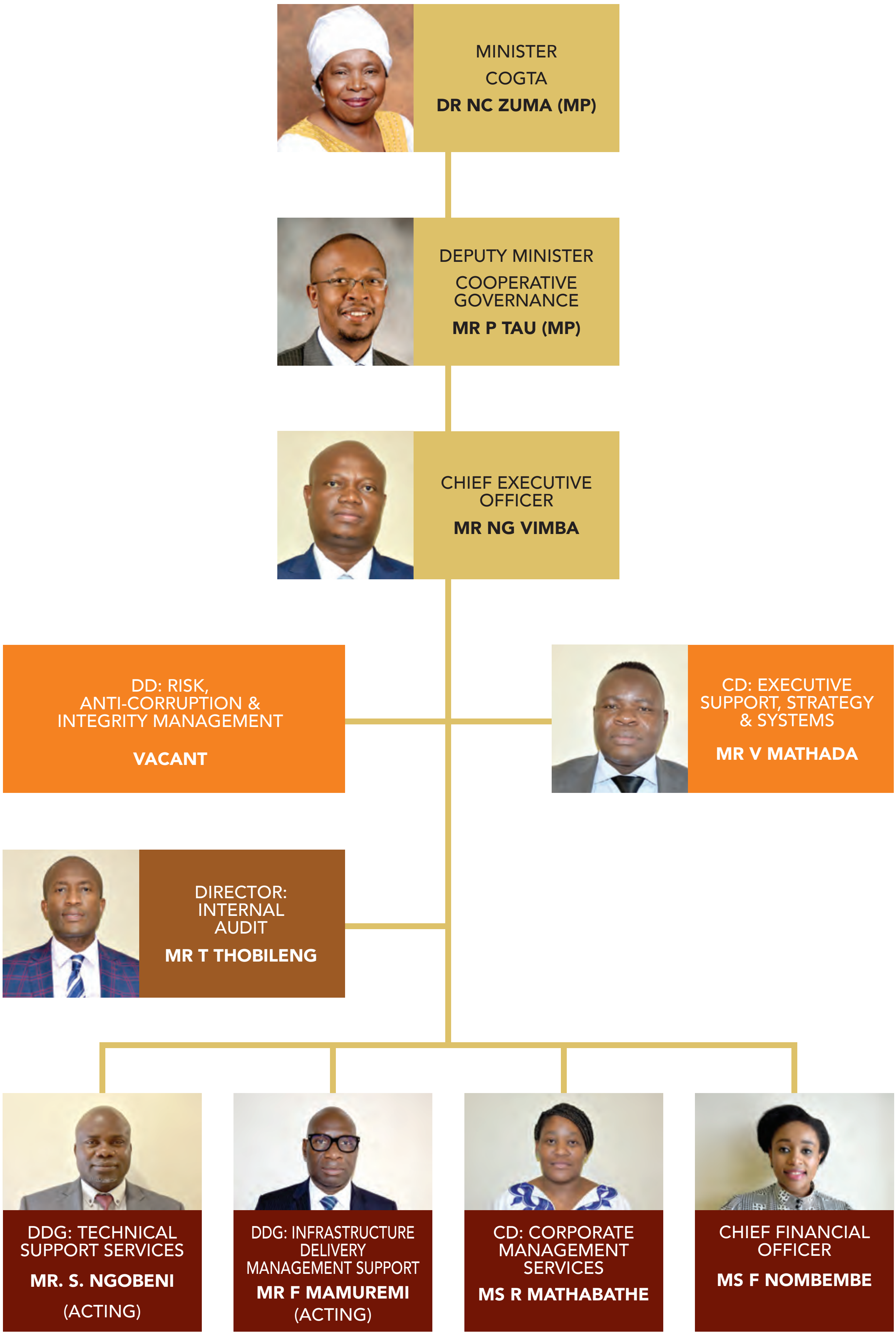
Policy Initiatives

The envisaged outcome of the ongoing process of amending the Municipal Systems Act, 32 of 2000 with the aim of professionalising local government would go a long way in enabling the achievement of MISA's objective of building technical capacity in municipalities for improved delivery and management of municipal infrastructure. The envisaged regulations would compel all municipalities to appoint only suitably qualified and experienced professional staff for the performance of technical functions.

9. ORGANISATIONAL STRUCTURE

At the beginning of 2017/18 financial year, the Department of Public Service and Administration granted concurrence to the approved structure for MISA. Upon obtaining this concurrence, MISA management embarked on the filling of vacancies on the revised structure to strengthen organisational capacity. In implementing the new structure, management prioritised the filling of technical positions and other critical positions under the support functions. Significant strides have been made in the appointment of engineers and other technical professionals on a permanent basis, in line with the Occupation Specific Dispensation (OSD) within the public service. This achievement has enabled the organisation to progressively reduce its reliance on consultants for performing its core function of supporting municipalities. The approved structure is presented below.

Figure A: Organisational Structure for Municipal Infrastructure Support Agent (MISA)



PART B
PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General's report on the audit of Predetermined Objective is incorporated into the report of the external auditor under **Part E** of this annual report.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

Local government is a primary site for the delivery of basic services in South Africa, and since 1994 tremendous progress has been made in the delivery of water, electricity, sanitation and refuse removal - at rates of delivery unprecedented anywhere in the world. Notwithstanding these achievements, there are areas in which local government is failing to meet the expectations of the citizens, where a collapse in core municipal infrastructure services has resulted in services either not being provided at all, or provided at unacceptably low levels.

Concomitant to this collapse are problems associated with municipal governance, capacity and financial viability. The low rate of collection of revenue also continues to undermine the ability of municipalities to deliver services to communities. There are far too many instances both of inappropriate placements and skills not measuring up to requirements. This is compounded by widespread instances of rent seeking and corruption amongst public representatives and businesses, reflecting a broader breakdown in the values and good governance principles. These municipalities lack a culture of public service, and there were slow or inadequate responses to service delivery challenges, which results in the breakdown of trust between municipal councils and communities. Social distance by our public representatives is reflected in inadequate public participation and poorly functioning ward councillors and committees.

In 2014, CoGTA conducted a review of South Africa's 278 municipalities, which revealed that the top third of municipalities were managing to do the basics right and perform their functions at least adequately. Within this group, there is a small group of top performers that are doing extremely well. The middle third of municipalities reviewed are fairly functional, but still characterised by worrying signs of poor performance or decline. This middle group can be classed as 'at risk', since if left unchecked these could lead to a further decline. The bottom third of municipalities are basically dysfunctional, and the basic mechanisms to perform their functions are not in place. These municipalities were found to be failing the citizens, and urgent intervention was considered necessary in order to correct the decay in the system. In support of the implementation of the Back to Basics programme, MISA refocussed its programmes to align with the approach and to complement efforts of other branches within DCOG and other role players.

At the heart of Back to Basics approach is the emphasis on getting each municipality to be a well-functioning institution with the necessary human resources capability to perform its core function effectively and efficiently. The achievement of the objectives of Pillar 2 (delivering municipal services of the right quality and standard) largely depends on addressing current infrastructure backlogs and deficiencies in the management of municipal infrastructure. Efforts towards addressing infrastructure and service delivery challenges, in line with Pillar 2 of B2B, are directed at the following:

- Development and implementation of municipal infrastructure plans;
- Implementation of operations and maintenance plans (at least 7% of OPEX Budget);
- Reduction of backlogs and ensure that municipalities acquire relevant skills for infrastructure development and management;
- Accelerated implementation of a pipeline of projects in 27 Districts with particular focus on water and sanitation;
- Service delivery interruptions monitored at national level – No service failures; where they occur, ensure they restore them urgently; and
- Coordinating service delivery initiatives of national government and provincial departments.

These measures will bring about positive outcomes only if they are complemented by other components of the municipality being targeted through the other four pillars of the B2B approach. To address the service delivery challenges raised above, government continues to mobilise key role players in the local government sector to contribute to efforts towards getting the basics right. This is being done through the setting of performance benchmarks that should be implemented to ensure that municipalities perform their basic responsibilities, every day, without fail. MISA has positioned itself to contribute towards the achievement of the objectives of pillar 2 of B2B and to a reasonable extent pillar 5, as presented below:

- Pillar 2: Ensuring significant improvements in service delivery through sound infrastructure management.
- Pillar 5: Building institutional resilience and initiating the next phase of institution building.

It is important to indicate that MISA has been operating within the institutional arrangement created for the implementation of back to basics. MISA's programme management teams in various provinces continued to vigorously participate in the provincial task teams and the district crack teams driving the B2B implementation in municipalities. A process of reallocating resources to align the support with the district approach that has been introduced through the B2B is currently in motion. Simultaneously, a review of MISA operational model was undertaken with the objective of improving the effectiveness of the support programmes and to ensure that our technical professionals respond with greater speed to instances of infrastructure failures.

The implementation of Back to Basics approach necessitated a change in MISA's operational approach to ensure that the provincial teams become more responsive to the challenges facing municipalities. The approach of assigning individual professionals to focus on one or more municipalities over a period of time was deemed to be out of sync with the imperatives of back to basics. To address this deficiency in the operational model, MISA initiated a process of aligning with the district approach that required the establishment of multi-disciplinary teams based at the district level for the purpose of supporting all municipalities within a particular district on the basis of their respective needs and problems.

2.2 Organisational Environment

During the financial year under review the position of Chief Executive Officer (CEO) was filled after remaining vacant since June 2016. The filling of this position brought stability in the organisation. Significant progress has been made towards the filling of two Deputy Director General positions but the process was placed on hold due to Cabinet Decision to defer the recruitment process until after the start of the sixth Administration. The two core programmes within MISA are currently headed by officials appointed in acting capacity until the DDG positions are filled by permanent appointees. As part of the implementation of the new organisational structure, the entity has appointed technical professionals on a permanent basis, in terms of the relevant Occupation Specific Dispensation (OSD). To date, 70 of the 84 technical positions on the approved establishment have been filled.

2.3 Key Policy Developments and Legislative Changes

There were no changes in policies and legislation with a bearing on the operations of the organisation during the year under review.

2.4 MISA's Strategic Outcome Oriented Goals

MISA strategic-oriented goals are grounded in the updated five-year strategic plan and annual performance plan for 2018/19. The MTSF was analysed and issues relevant to the organisation identified and developed into the four strategic-oriented goals and strategic objectives which is implemented over the medium terms through strategic action programmes.
In the paragraph below each goal is presented followed by an outline of progress in the achievement thereof during the year under review.

2.4.1 Programme 1: Administration

This programme provides strategic direction, leadership, management and effective and efficient administrative support services to the organisation. The programme serves as the enabler to the key functions of the organisation.

Strategic Goal 1

Refocus and strengthen the capacity of MISA to deliver on its mandate.

The capacity of the Administration Programme has been further enhanced through the filling of SMS vacancies in critical functions such as Corporate Services, Supply Chain Management (SCM) and Strategic Management, Monitoring and Evaluation. The strengthening of capacity has resulted in improvements in internal controls, particularly in relation to SCM processes, planning processes and the reliability of performance information. MISA will continue to strive to improve spending against budget in the coming financial year by ensuring improvement in the management of projects linked to performance targets in the annual performance plan.

2.4.2 Programme 2: Technical Support Services

The Technical Support Services Programme manages the provision of technical support and technical capabilities to enhance the delivery of municipal infrastructure programmes. Each of the two goals under this programme is presented below together with an outline of progress towards the achievement of each.

Strategic Goal 2

Ensure significant improvements in service delivery through sound infrastructure management.

MISA provided support to more than 81 municipalities on infrastructure planning, delivery and operations and maintenance. Support to each of these municipalities was set out in the technical support plan (TSP) developed jointly by MISA provincial teams and the respective municipalities. Although technical support provided by MISA has enabled municipalities to undertake activities relating to planning, infrastructure development and maintenance, most municipalities continue to experience disruption in service provision due to lack of operations and maintenance of infrastructure. Some municipalities consistently underspend on their Municipal Infrastructure Grant (MIG) allocation resulting in stopping and reallocation of funds to the detriment of communities expecting the delivery of services. More work will be done in the coming year to ensure weaknesses in infrastructure delivery identified during the assessment of some of 27 priority districts are addressed by municipalities with support from MISA. The implementation of the Regional Management Support Contracts (RMSC) programme has gained momentum during the period under review, with the implementation of this programme continuing in the three pilot districts in the course of 2019/20.

Strategic Goal 3

Improving technical capabilities in identified municipalities for effective and efficient delivery and management of municipal infrastructure.

The Technical Skills sub-programme focusses mainly in the implementation of learning programmes in collaboration with municipalities that host learners enrolled for training with MISA and the training of municipal officials. MISA also contributes to the creation of a pipeline of scares skills through the bursary scheme that provide financial support to students enrolled for technical courses in universities and Technical Vocational Education and Training (TVET) colleges. The absorption of artisans and graduates trained by MISA into municipalities continues to be a major challenge in terms of capacity building for local government. This is the case despite the fact that these municipalities are experiencing high shortages of skilled personnel to perform functions related to infrastructure delivery and management.

During the year under review MISA approved the Capacity Building Framework that will guide the building of capacity for local government in the coming years. The rationale for developing the framework is to create broad parameters for a systematic approach to building capacity in local government. In addition to the

Capacity Building Framework, MISA has developed in conjunction with seven municipalities, municipal capacity development plans for the purpose of ensuring that these seven municipalities have a systematic and coordinated approach towards improving technical capacity within their municipalities.

2.4.3 Programme 3: Infrastructure Delivery Management Support
The programme manages the provision of implementation support services on infrastructure projects, operations and maintenance of municipal infrastructure.

Strategic Goal 4
Ensure sustainable improvement in municipal infrastructure delivery through infrastructure procurement, financing, contract management and development of institutional capacity of municipalities to procure and contract manage infrastructure projects.

The main focus of the Infrastructure Delivery Management Support (IDMS) programme during the year under review was to conclude four (4) national framework contracts against which municipalities can place orders for certain infrastructure goods and services. The objective of these frameworks is to shorten procurement period, reduce high level of irregular expenditure and help municipalities to realise economies of scale. Due to more efficient supply chain management processes, an additional three framework contracts was concluded for municipalities bringing the total to seven framework contracts concluded for the period under review. The rationale behind framework contracts is that municipalities could shorten the procurement process by tapping into existing contracts thereby improving responsiveness in the event of disruption to services caused by infrastructure failures.

MISA also conducted feasibility studies including the socio-economic profiles and cost modelling on the identified Water Services Authorities affected by the misalignment of bulk water and reticulation to check the feasibility of these projects. The rationale of conducting these feasibility studies was to determine both the affordability as well as the sustainability of the water supply services provided by these municipalities.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: ADMINISTRATION

Purpose: Provide strategic direction, leadership, management and effective and efficient administrative support services to the organisation.

Programme overview: The programme serves as the enabler to the key functions of the organisation. It has the following sub-programmes:

Sub-programme 3.1.1: Executive Support, Strategy and Systems
Provides executive and administrative support to the Accounting Officer. It ensures that the organisational strategy enhances the ability of MISA to achieve its mandate and that the organisational design facilitates effective implementation of strategic objectives. In addition to the management of the Office of the CEO, the sub-programme ensures that the organisation develops and implements effective planning processes; and that the strategic plan and annual performance plans derived are aligned to the service delivery imperatives identified. This function includes performance oversight and implementation of measures for organisational performance improvement. The sub-programme is also responsible for providing information communication and technology management services and performing the Internal Audit and Risk Management function within the organisation.

Sub-programme 3.1.2: Financial Management Services
Provides sound financial stewardship and management in the organisation, in compliance with relevant

legislation, regulations and policies. This includes Supply Chain Management and Asset Management functions.

Sub-programme 3.1.3: Corporate Management Services

This sub-programme is responsible for ensuring that the work environment in MISA enhances motivation and productivity in the workplace. The sub-programme provides human resource management and development, facilities management, legal services, security services, as well as communication services.

PERFORMANCE INDICATORS

Programme Performance Indicator		Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
Strategic Objective 1.1: Improve the usefulness and reliability of performance information						
1.1.1	Strategic Plan and/or Annual Performance Plan (APP) compiled, approved by Executive Authority and submitted to Parliament in line with the National Treasury guidelines, within National Treasury stipulated timelines	2017/18 APP was approved and tabled in Parliament before the stipulated timeframes.	Compliant 2019/20 APP approved and submitted on time	**Achieved** 2019/20 APP approved by the Executive Authority as per directive by Parliament and DPME	N/A	N/A
1.1.2	Number of performance reports produced in terms of National Treasury guidelines and timeframes and approved by the Accounting Officer or Executive Authority	6 approved performance reports produced	5 approved performance reports (4 quarterly performance reports and 1 annual report)	**Achieved** 5 approved performance reports produced as per compliance with PFMA and relevant National Treasury regulations	N/A	N/A
1.1.3	Implementation of approved ICT Operational Plan	ICT implementation plan approved and implemented	ICT operational plan approved by 30 April each and implemented	**Achieved** ICT operational plan was approved by 30 April 2018 and quarterly progress reports developed on its implementation	N/A	N/A

Programme Performance Indicator		Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
Strategic Objective 1.2: Improve the effectiveness of internal controls, risk management and governance structures						
1.2.1	Approved Risk Register	Risk Register was approved by the Accounting Officer after the 31st March 2018	Risk Register updated and approved by the Accounting Officer by 31 March 2019	**Achieved** Risk Register was updated and approved by the Accounting Officer by 31 March 2019	N/A	N/A
1.2.2	Number of risk monitoring reports submitted to the Audit Committee	4 risk monitoring reports submitted to the Audit Committee	4 risk monitoring reports	**Achieved** 4 risk monitoring reports were submitted to the Audit Committee	N/A	N/A
1.2.3	3-year rolling strategic internal audit plan and annual coverage plan submitted to the Audit Committee	3-year rolling strategic internal audit plan and annual coverage plan was submitted to the Audit Committee before the due date.	Produce a 3-year rolling strategic internal audit plan and an annual coverage audit plan and submit to Audit Committee by 30 June 2018	**Achieved** A 3-year rolling strategic internal audit plan and an annual coverage audit plan were developed and submitted to the Audit Committee by 30 June 2018	N/A	N/A
1.2.4	Number of progress reports against the annual audit coverage plan submitted to the Audit Committee	4 Internal audit reports was produced and submitted to Audit Committee as per financial year	Produce and submit 4 internal audit reports to Audit Committee	**Achieved** 4 internal audit reports produced and submitted to the Audit Committee	N/A	N/A
Strategic Objective 1.3: Provide effective and efficient corporate, financial and legal support services for MISA to deliver on its mandate						
1.3.1	Percentage of performance agreements, reviews and assessments concluded on time in compliance with PMDS policy	Achieved 78% submissions of performance agreements, reviews and assessments by the due dates	Achieve 98% submissions of performance agreements, reviews and assessments by due dates	**Achieved** 99% submission of performance agreements, reviews and assessments were concluded by the due dates	N/A	N/A

Programme Performance Indicator		Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
1.3.2	Percentage of legal opinions and/or contracts/policy reviews provided within 15 working days in cases not requiring external expertise	100% of all routine internal requests for legal opinions were provided within the 15 working days	100% of all routine internal requests' for legal opinions and/or contracts/policy review provided within 15 working days for cases not requiring external expertise	**Achieved** 100% of contracts finalised, consisting of 39 SLA's, 3 addendums, 3 MOA's and 1 legal opinion, within the stipulated timeframes.	N/A	N/A
1.3.3	Percentage of adjusted budget spent by the end of the financial year	78% of adjusted budget was spent by the end of the financial year	Achieve at least 98% spend by the end of each financial year	**Not Achieved** 84% of total adjusted budget was spent by the end of the financial year.	- 14%	Under expenditure resulted mainly from the delays in the implementation of infrastructure projects
1.3.4	Unqualified audit opinion on the annual financial statements	Unqualified audit opinion achieved on the annual financial statements	Achieve unqualified audit opinion on annual financial statements each year	**Achieved** Unqualified audit opinion achieved on the annual financial statements	N/A	N/A
1.3.5	Approved Procurement Plan	Procurement plan was approved and submitted to National Treasury by 30 April 2018	Procurement plan approved and submitted to National Treasury by 31 March each year	**Achieved** Procurement plan was approved and submitted to National Treasury as per the stipulated timeframes.	N/A	N/A
1.3.6	Report on quarterly verification of assets	Asset register was verified quarterly in the financial year	Asset register verified quarterly in each financial year	**Achieved** Verified asset registers were signed off by the CFO within one month after quarter ends.	N/A	N/A

Strategy to Overcome Areas of Under Performance

MISA has been and will continue to improve its planning processes and project management to avert underspending in the coming years. Under performance during the year under review in respect to key performance indicator 1.3.3 was mainly as a result of the cumulative effect on spending against annual budget due to delays in the implementation of some key projects in the previous financial years.

Changes to Planned Targets

During the year under review no changes were made to the performance indicators and targets under the Administration Programme.

Linking Performance with Budget

	2018/19			2017/18		
Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	98 869	98 847	22	60 308	57 942	2 366

The biggest proportion of the budget allocated for goods and services under Administration Programme was earmarked for support services provided to the agency in relation to supply chain management (SCM), Internal Audit and ICT function. Spending on budget allocated for these services was highly satisfactory. This spending level contributed to the achievement of performance targets for more than 90% of all performance indicators under the programme. The level of spending over the entire financial year for the programme stood at about 99% as at 31 March 2019.

3.2 PROGRAMME 2: TECHNICAL SUPPORT SERVICES

Purpose: To manage the provision of technical support and technical capabilities to enhance the delivery of municipal infrastructure programmes.

Programme overview: The Programme coordinates the provision of technical support and assistance in conducting infrastructure assessments and analysis; coordinates the provision of technical support and expertise for municipal infrastructure delivery, planning, maintenance and land use management services with relevant stakeholders; coordinates the development of technical skills to support the delivery of municipal infrastructure support programmes. The Programme consists of the following sub-programmes:

Sub-programme 3.2.1: Infrastructure assessment and analysis
The sub-programme focusses on the monitoring and analysis of various issues relating to municipal infrastructure, such as expenditure against budgets, condition of municipal assets, and infrastructure maintenance expenditure to inform tailored support and interventions. A lack of coordination, mobilisation and monitoring is one of the main contributing factors to the slow-down in the rate of eradication of backlogs. These weaknesses are due mainly to:

- Lack of central coordination of the different stakeholders;
- Lack of project management in relation to the process towards the reduction of backlogs; and
- Lack of continuous engagements and interactions between key stakeholders.

The Technical Support unit facilitates agreements between all national, provincial and municipal stakeholders on the key actions to be taken to reduce backlogs per district, and monitor implementation of these actions, through the Inter-Ministerial Task Team (IMTT) on Service Delivery

Sub-programme 3.2.2: Infrastructure Delivery, Maintenance and Stakeholders Coordination

This sub-programme provides technical expertise to support municipalities to plan, deliver, operate and maintain infrastructure, including land use management related planning. The sub-programme's functions include rendering technical support based on identified needs in targeted municipalities to improve infrastructure delivery, operations and maintenance; rendering planning support in order to improve land use management in municipalities; and providing mentoring and coaching to apprentices, experiential leaners and young graduates under MISA skilling programme.

Sub-programme 3.2.3: Technical Skills

This sub-programme coordinates the development of technical skills to support the delivery of municipal infrastructure programmes. This entails the facilitation of opportunities for workplace experience in municipalities for graduates, apprentices and learners in technical fields and training of municipal officials; providing mentoring and coaching to apprentices, experiential learners and graduates in MISA Skills Programme; facilitating the placement of qualified artisans in municipalities experiencing acute shortage of technical personnel; and supporting municipalities in the recruitment of qualified technical personnel. The sub-programmes are also responsible for providing bursaries to qualifying students pursuing qualifications in technical disciplines at accredited tertiary institutions.

PERFORMANCE INDICATORS

	Programme Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
Strategic Objective 2.1: More effective support and interventions with greater impact on citizens' lives						
2.1.1	Number of municipal infrastructure asset condition assessments conducted	New Indicator	1	**Achieved** 1 Municipal infrastructure condition assessment report conducted at Matjabeng Municipality	N/A	N/A
2.1.2	Number of district basic service delivery backlog assessments conducted	7 assessments completed on municipal infrastructure	5	**Not Achieved** 4 District basic service delivery backlog assessments conducted	-1	The district basic service delivery backlog assessment commenced late, due to delays in one municipality giving consent to the implementation of the project. The project in this municipality commenced in the targeted municipality in Feb 2019 and will be completed by 30 June 2019.
Strategic Objective 2.2: Improved technical capacity and technical skills in municipalities						
2.2.1	Number of municipal technical support plans developed and implemented	60 municipal technical support plans developed and implemented	81	**Achieved** 81 municipal technical support plans developed and implemented.	N/A	N/A
2.2.2	Number of municipal infrastructure sector plans developed	21 municipal infrastructure sector plans developed	10	**Not Achieved** 2 municipal infrastructure sector plans developed.	- 8	Prolonged consultations on collaboration between MISA and DWS resulted in the delays of developing municipal infrastructure sector plans. Decision was taken that DWS will take over the development of the municipal infrastructure sector plans.

Programme Performance Indicator		Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
2.2.3	Number of Town and Regional Planning sector plans developed	17 Spatial Development Frameworks developed	2	**Achieved** 2 Town and regional planning sector plans developed	N/A	N/A
2.2.4	Number of municipalities supported through the MISA Regional Management Support Programme	Draft turnaround and implementation plans for Amathole and Sekhukhune District Municipalities developed	3	**Achieved** 3 municipalities were supported through the MISA Regional Management Support Programme	N/A	N/A
2.2.5	Number of municipal water conservation and demand management plans developed	New Indicator	10	**Achieved** 10 municipal water conversation and demand management plans were developed	N/A	N/A
Strategic Objective 3.1: Increase the number of skilled technical professionals and artisans in identified municipalities						
3.1.1	Number of Apprentices enrolled in the MISA Artisan Development Programme	303 Apprentices provided with apprenticeship training	230	**Achieved** 259 Apprentices enrolled in the MISA Artisan Development Programme	+29	More apprentices, than was anticipated, remained in the programme at the end of the 2017/18 financial year and 259 became the opening balance for the 2018/19 financial year.
3.1.2	Number of learners enrolled in the MISA Experiential Learnership Programme	103 learners provided with workplace (experiential) training	100	**Achieved** 139 Learners enrolled in the MISA Experiential Learnership Programme	+39	More Experiential learners were recruited to cater for projected in-year resignations and to mitigate cases where successful candidates would decline the offers.
3.1.3	Number of graduates enrolled in the MISA Young Graduate Programme	85 graduates recruited and placed with municipalities for workplace training	150	**Achieved** 159 Candidates enrolled in the MISA Young Graduate Programme	+9	More Young Graduates were recruited to cater for projected in-year resignations and to mitigate cases where successful candidates would decline offers.

Programme Performance Indicator		Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
3.1.4	Number of municipal officials provided with technical skills training	557 municipal officials provided with technical skills training	500	**Achieved** 610 municipal officials provided with technical skills training	+110	MISA responded to additional requests for training from provinces
3.1.5	Number of students provided with bursaries for studies in technical professions	202 students provided with bursaries for studies in technical professions	150	**Achieved** 157 students were enrolled in the bursary programme for studies in technical professions	+7	Numbers were optimised through awarding, at a comparatively lower unit cost, some bursaries to students in TVET colleges
3.1.6	Number of municipal general workers (Section 28 Apprentices) in the MISA Artisan Recognition of Prior Learning (ARPL) Programme	11 municipal general workers (Section 28 apprentices) provided with training	50	**Achieved** 66 municipal general workers (Section 28 apprentices) enrolled in the MISA ARPL Programme	+16	More municipal officials were recruited to mitigate cases where some officials would discontinue due to financial reasons or municipal officials not meeting assessment requirement's
Strategic Objective 3.2: To coordinate and ensure the implementation of a strategic approach to the development of technical capacity in the sector						
3.2.1	Number of approved Capacity Development Framework	A draft capacity development framework compiled but consultations not concluded by the end of the financial year	Approved Capacity Development Framework	**Achieved** The capacity development framework was approved.	N/A	N/A
3.2.2	Number of municipal capacity development plans developed and implemented	No municipal capacity development plans developed	7	**Achieved** 7 Municipal Capacity Development Plans were developed and approved	N/A	N/A
3.2.3	Number of qualified artisans placed in municipalities	102 qualified artisans placed in municipalities	100	**Achieved** 107 qualified artisans were placed in municipalities in 2018/19.	+7	More artisans and process controllers were recruited to cater for declines and early resignations from the programme and replacements were appointed to close vacancies.

Strategy to Overcome Areas of Under Performance

Targets for two key performance indicators, each under the Infrastructure Assessment Analysis (IAA) and Infrastructure Delivery, Maintenance and Stakeholders Coordination (IDMSC) sub-programmes were not achieved in the year under review. The main reasons for underperformance in relation to key performance indicator 2.1.2 were delays in obtaining the necessary consent of certain municipalities selected for support assessment on district basic service delivery backlogs. Prolonged consultations on collaboration between MISA and Department of Water and Sanitation (DWS) resulted in the delayed start of the development of municipal infrastructure sector plans as envisaged in terms of key performance indicator 2.2.2. To prevent the recurrence of these situation, each municipality targeted for support will only be confirmed upon the formal acceptance of proposed support by the affected municipality and where collaboration from other players is required, MISA will ensure that a formal agreement with the relevant partners is reached before the performance target is confirmed.

Changes to Planned Targets

None of the performance indicators and targets under the Technical Support Services were changed during the financial year under review.

Linking Performance with Budget

	2018/19			2017/18		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
TSS	369 443	296 084	73 359	312 975	247 527	65 448

Performance targets for two indicators in the annual performance plan were not achieved in the year under review. Notwithstanding the non-achievement of this two indicators, underspending of this programme's budget relates mainly to the Regional Management Support Contracts (RMSC) programme, which is funded mainly through a ring-fenced allocation over a three-year period. The main reason for underspending on RMSC programme was the delayed start of the project implementation in the previous financial years. The overall spending level for the programme stood at 80% as at the end of the financial year under review.

3.3 PROGRAMME 3: INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT

Purpose: To manage the provision of implementation support services on infrastructure projects, operations and maintenance of municipal infrastructure.

Programme overview: This is a relatively new programme within MISA. The programme's objective is to deliver infrastructure projects on behalf of identified municipalities and provide infrastructure financing, procurement and contract management guidance and advice to municipalities. It will focus on the development of institutional capacity of municipalities to procure and contract manage infrastructure projects efficiently and effectively. Through the Programme, MISA should be able to put in place national transversal/framework contracts for municipal infrastructure goods and services. The Programme consists of the following sub-programmes:

Sub-programme 3.3.1: Project Management
This sub-programme is responsible for coordinating the provision of technical support to municipalities with regard to project management, infrastructure procurement and contract management processes.

Sub-programme 3.3.2: Framework Contracts and Infrastructure Procurement

The purpose of this sub-programme is to coordinate the development and implementation of national framework for contracting municipal infrastructure services.

Sub-programme 3.3.3: Infrastructure Financing

The purpose of this sub-programme is to facilitate processes to support innovation and private sector financing on infrastructure and Municipal Infrastructure Grant (MIG).

PERFORMANCE INDICATORS

Programme Performance Indicator		Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
Strategic Objective 4.1: Provide infrastructure planning, procurement and contract management capacity and services to identified municipalities						
4.1.1	Number of municipalities Supported to implement National Treasury IDMS	New Indicator	3	**Achieved** 3 municipalities supported to implement National Treasury IDMS through the undertaking of training.	N/A	N/A
4.1.2	Number of the Feasibility Studies conducted to address misalignment of bulk water and reticulation in identified Water Services Authorities	New Indicator	5	**Achieved** 5 Draft Feasibility studies reports completed to address misalignment of bulk water and reticulation in identified Water Services Authorities	N/A	N/A
Strategic Objective 4.2: Facilitate private sector financing for municipal infrastructure projects.						
4.2.1	Number of national framework contracts for municipal infrastructure goods and services concluded	2 national framework contracts for municipal infrastructure goods and services concluded	4	**Achieved** 7 frameworks contracts for municipal infrastructure goods and services concluded	+3	Additional framework contracts were concluded due to efficient tender processes in Supply Chain Management.

Strategy to Overcome Areas of Under Performance

Annual targets for all performance indicators under the Infrastructure Delivery Management Support (IDMS) were achieved in the year under review.

Changes to Planned Targets

None of the performance indicators and targets were changed during the year under review.

Linking Performance with Budgets

Programme	2018/19			2017/18		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
IDMS	**30 299**	**25 265**	**5 034**	**-**	**-**	**-**

This is a relatively new programme within MISA, but was still able to achieve all of its performance targets for the year under review. Capacity constraints still exist within this programme, with the filling of vacancies within the Project Management Office earmarked for completion in the 2019/20 financial year. Underspending by this programme could be directly linked to the level of vacancies against positions in the approved staff establishment for the programme. As at the end of the financial year, overall spending of the programme's budget was at 83%.

4. REVENUE COLLECTION

Sources of Revenue	2018/19			2017/18		
	Estimate	Actual Amount Collected	(Over) / Under Collection	Estimate	Actual Amount Collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of Tender Documents	-	-	-	-	-	-
Management Fee from BEP Programme	-	-	-	-	-	-
LGSETA Grant for Apprenticeship Programme	-	-	-	-	-	-
Interest Received	-	4 948	-	-	4 151	-
Total	**-**	**4 948**	**-**	**-**	**4 151**	**-**

Capital Investment

During the year under review MISA did not implement any capital development project. There were no capital projects under implementation at the beginning of the financial year. MISA also did not own, acquire or dispose of any asset or facility of capital in nature during the period under review.

INFRASTRUCTURE PROJECTS

Nkantolo Water Reticulation

Newcastle Boreholes

Mpame Bridge

North West Boreholes

CAPACITY BUILDING AND TRAINING

Midrand AA Technical College RPL




Amajuba Training Centre- RPL




Vuselela TVET College Electrical Apprentices

PART C
GOVERNANCE

1. INTRODUCTION

The governance processes and systems for MISA are set out in the Public Service Act, 1994. In particular, section 7A of the Act sets out the manner in which MISA as a government component should be managed and be held accountable. These processes are also outlined in the government notice on MISA administration and operations gazetted on 05 July 2013. In terms of the Act, MISA's execution of its mandate is subject to the guidance of the Minister for Cooperative Governance and Traditional Affairs, as the designated Executive Authority, and an Advisory Board (if established). In terms of the Act, the Head of MISA is the designated Accounting Officer of the organisation.

MISA is, for administrative and operational purposes, subjected to both the Public Service Act and the Public Financial Management Act, 1999 (Act 1 of 1999). In terms of these pieces of legislation, MISA is required to submit to the Minister for approval a strategic plan setting out its policy priorities, programmes and project plans for a three-year period. The organisation is also required to submit a business and financial plan to the Minister for approval at least three months before the end of each financial year. It is also required to prepare an annual report and financial statements for each financial year in accordance with the generally accepted accounting practice. Such financial statements should be submitted to the Auditor-General for auditing within three months after the end of each financial year. The annual report, together with the audited financial statements and the accompanying Auditor-General's report should be submitted to the Director-General for Cooperative Governance within five months after the end of the financial year. MISA is also required to report to the Executive Authority on a quarterly basis in relation to its administrative and operational performance, as well as performance in the implementation of the annual performance plan in the preceding quarter.

During the financial year under review, MISA applied the corporate governance principles of fairness, accountability, responsibility and transparency in conjunction with relevant legislation. The organisation established and maintained governance and management structures as well as processes for discharging its legal responsibilities. In this regard, the Executive Authority and the Accounting Officer of MISA were responsible for corporate governance.

2. PORTFOLIO COMMITTEES

MISA was invited to brief the Portfolio Committee on Cooperative Governance and Traditional Affairs on specific matters. Accordingly, MISA management attended the Committee meetings as summarised in the table below:

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
COGTA Portfolio Committee	27 March 2019	Briefing on MISA's Annual Performance Plan for 2019/20	MISA's performance targets are too low to address huge challenges identified in 55 distressed municipalities and the entity should consider reviewing them. Deployed technical consultants may face constraints in the provision of support due to bureaucratic obstacles.	The bulk of MISA's support is captured in the Technical Support Plans signed by MISA and the municipality selected for support in terms of the APP.

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
COGTA Portfolio Committee	11 October 2018	Briefing on MISA Annual Report for 2017/18 Financial Year.	The Committee flagged challenges identified in respect to Supply Chain Management (SCM), particularly the advertisement of bids for shorter periods and non-compliance with the local content threshold. Another concern raised by the Committee was slow implementation of projects due to delays in procurement processes.	During the course of 2018/19 financial year MISA did not advertise any tender for shorter period than the minimum period prescribed in the SCM Regulations and the organisation has fully complied with the minimum threshold on local content in the procurement of goods and services. The entity has made significant improvements in the implementation of projects as reflected in improved performance against the APP targets

3. EXECUTIVE AUTHORITY

During the year under review the Accounting Officer for MISA compiled and submitted the following reports to the Executive Authority.

Report Submitted	Date of Submission	Comments by the Executive Authority	Action Taken
2017/18 fourth quarter performance report	30/04/2018	Noted	None
2018/19 first quarter performance report	31/07/2018	Noted	None
2018/19 second quarter performance report	31/10/2018	Noted	None
2017/18 Annual Report	01/10/2018	Approved for tabling in Parliament	Approved Annual Report was subsequently tabled in Parliament
2018/19 third quarter performance report	31/01/2019	Noted	None

4. THE ACCOUNTING AUTHORITY / BOARD

Notwithstanding that section 7A (4) of the Public Service Act provides for an option of establishing an Advisory Board, without executive functions, the Executive Authority has not established the Board since MISA's establishment. In terms of the legislation the role of the Advisory Board would be limited to providing advice and guidance to both the Executive Authority and Accounting Officer on matters pertaining to municipal infrastructure delivery.

5. RISK MANAGEMENT

The Risk Management Policy and Strategy for MISA have been approved by the Accounting Officer. These policy documents are presented to the Audit Committee to ensure that they comply with the National Treasury Framework for managing Risks. The Strategic Risk Assessment for 2018/19 has been conducted and the Risk Assessment report including the risk register approved by the Accounting officer. Furthermore, the operational risk assessments were conducted which culminated into various risk registers. The risk register was used to direct internal audit efforts and priorities for the year. Progress on Programme Risk registers are being communicated to various programmes during quarterly reviews meetings to ensure that risks are being managed effectively and monitored on a regular basis.

MISA has a functional Risk Management Committee. Members were formally appointed by the Accounting Officer and do comply with the approved terms of reference. The Risk Management Committee meet on a quarterly basis to evaluate and monitor risks identified and advise for improvements. In improving governance, MISA have appointed the Risk Champions to assist the Risk owners in monitoring the implementation of mitigation (action) plans within various programmes. Risk Management reports are also discussed at management meetings to ensure that timeous mitigation of risks are implemented to improve organisational performance. In certain cases, the risks are assessed on a continuous basis as this enables MISA to proactively responds to threats that might affect the achievement of its strategic objectives.

The Risk Management Committee advised management to conduct robust risk assessment that addresses key strategic objectives of the institution. The Committee analyses the risk management reports and advise accordingly on how to mitigate risk to an acceptable level. The Committee ensures that Internal audit develop a risk based internal audit plan. Audit Committee plays an independent oversight responsibility in relation to the Organization's internal controls, governance and risk management. The Committee comments on the effectiveness of Risk management within the organisation which must be aligned to the organisational objectives and performance of the Institution. For the period under review there was a slight improvement in addressing identified risks, which led to the improved control environment in the last quarter of the financial year.

6. INTERNAL CONTROL UNIT

During the year under review MISA appointed two officials in the Internal Control Unit. The main function of this unit is to coordinate and monitor the implementation of actions to address control deficiencies identified during the audit by both Internal Audit and the Auditor-General, as well as overseeing compliance with applicable policies and procedures across the organisation and to ensure that the department maintains an effective, effcient and transparent internal control system. On finalisation of the audit, the Post Audit Action Plan (PAAP) is developed for implementation by the relevant units within the organisation, ensuring corrective measures are implemented to avoid recurrence of the audit findings. Progress in the implementation of actions contained in the Post Audit Action Plan (PAAP) is reported to management and the Audit Committee on a monthly and quarterly basis. The 2018/19 audit report issued by Auditor-General demonstrates an improvement on MISA internal controls compared to previous years.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

MISA has a functional Internal Audit led by the Chief Audit Executive, who report functionally to the Audit Committee and administratively to the Accounting Officer. Internal Audit complies with the Code of Ethics issued by the Institute of Internal Auditors. Internal audit provides an independent objective assurance and consulting activities designed to add value and improve the organisation's internal control environment and operations. It helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance process. During the period under review, an external service provider was appointed to assist Internal Audit in executing the approved audit plan.

During the year under review, the internal audit function developed and implemented a risk-based strategic and operational coverage plan that encompasses the following areas:

- Review of Bi-annual/Annual Financial Statements;
- Review of Performance Information (Pre-determined Objectives), quarterly and annual performance plans;
- Review of Asset Management;
- Review of SCM processes (procurement and verification of irregular expenditure);
- IT General Controls- MIPMIS;
- IT General Controls-PERSAL;
- Quarterley Verification of Post Audit Action Plan (PAAP);
- Follow-up Audit;
- Review of travel and subsistence allowance process;
- Review of Technical capacity and enhance technical skills and enhance infrastructure process in municipalities;
- Review of Petty Cash Management; and
- Governance Review.

The Audit Committee is fully functional and comlies with the terms of reference set out in the charter. The Committee convened regularly during the period under review to provide oversight on the operations of the organisation and the system of internal controls supporting the achievements of the organisation's objectives. The Committee met with the Executive Authority and raised issues which could adversely impact on the organisational performance and spending of the budget. Quarterly performance reports were tabled to the Audit Committee, which enabled the Committee to monitor the performance of Internal Audit against the approved Internal Audit plan. The Committee also plays an oversight role to ensure that recommendations from internal audit were being implemented by management towards the improvement of systems of internal control. Management also implemented the Post Audit Action Plan (PAAP) with the aim of addressing findings raised through internal and external audit, and progress in the implementation of remedial measures included in the PAAP was monitored by the Audit Committee on a quarterly basis.

The tabled below discloses relevant information on the Audit Committee members:

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Mr F Sinthumule	Dip: Finance & Auditing, BCom Accounting, MBA (Special Project on PFMA)	External Member	Chairperson appointed on 22 July 2013,	N/A	5
Mr E Cousins	BCom Accounting (M); BCom Hons (Auditing), Advanced Diploma in Public Administration	External Member	Member appointed on 22 July 2013	N/A	5
Adv RR Dehal	Advocate of the High Court of South Africa, BProc, LLB	External Member	Member appointed on 22 July 2013	N/A	2

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Ms D Dondur CA(SA)	Bachelor Of Accounting, B Compt Hons Honours In Business Administration, MBA Post Graduate Certificate in Labour Relations, Chartered Director (CD) (SA)	External Member	Member appointed on 01 September 2014	N/A	5
Ms P Mzizi CA(SA)	BBusSci Finance (UCT) BCompt Hons CTA (UNISA) BCom Hons in Transport Economics (UNISA)	External Member	Member appointed on 01 February 2015	N/A	4

8. COMPLIANCE WITH LAWS AND REGULATIONS

MISA has established an internal control unit that is responsible for the functions listed above. Furthermore, an internal control and compliance framework has been developed to ensure that MISA complies with all applicable rules and regulations. Delegation of authorities for HR continued to be implemented throughout 2018/19 financial year. Finance and Supply Chain Delegations are issued annually by the Accounting Officer to ensure effective and efficient running of the organisation.

9. FRAUD AND CORRUPTION

MISA's Fraud Prevention Plan integrates the processes, policies resources to minimise the risk of fraud and corruption. The Fraud Prevention Plan was revised during the period under review to be aligned with International best practices. The Risk Assessment conducted during the period under review included fraud risk which were monitored throughout the year. The Fraud awareness workshopped were conducted twice during the period under review. Fraud and Anti-Corruption awareness were also conducted during the orientation of the new employees.

Employees are constantly encouraged to report suspected incidences of fraud and corruption using any of the following mediums of communications:

National Anti-Corruption Hotline: 0800 701 701
Website: www.publicservicecorruptionhotline.org.za
Unique e-mail address: integrity@publicservicecorruptionhotline.org.za
Postal address: PO BOX 582, Umhlanga Rocks, Kwazulu-Natal, 4320
Free Fascimile: 0800 2014 965
SMS: 39772

Cases are reported anonymously via hotlines managed by the Public Service Commission. Then individual cases are referred to the relevant department/ entity for investigations.

10. MINIMISING CONFLICT OF INTEREST

Potential conflict of interest is managed and minimised throughout MISA through the following mechanisms:

- Members of the Bid Committees and MISA employees are required to sign a Declaration of Interest upon appointment and at the beginning of each financial year.
- Training and development of SCM officials to ensure that they keep abreast of latest developments and best practice.
- Bid Committee Meeting attendees are also required to declare whether they are aware of any fraudulent activities or allegations of fraud. Such reporting can also be done anonymously through mechanisms outside the meetings, including the national anti-corruption hotline.
- The Compliance Unit also verifies and reviews all SCM documents to ensure compliance.
- All SCM officials are required to comply with the highest ethical standards as contained in the National Treasury's Code of Conduct for Supply Chain Management Practitioners and sign Treasury's Code of Conduct for Supply Chain Management Practitioners. This is important for the promotion of mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.
- In the event where conflict of interest has been identified, the Accounting Officer or delegated officials take all reasonable steps to prevent abuse of the supply chain management system. Any allegation of corruption, improper conduct or failure to comply with SCM system regulations is investigated and appropriate steps are taken as necessary against the relevant official or other role player.
- Should a SCM official or other role player, or any close family member, partner or associate of such official or other role player, have any private or business interest in any contract to be awarded, they are required to disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.
- An official who becomes aware of a breach of or failure to comply with any aspect of the supply chain management system must immediately report the breach or failure to the Accounting Authority or delegated official in writing.

11. CODE OF CONDUCT

MISA, as a national government component established in terms of the Public Service Act, 1994 ("the PSA"), is bound by the Code of Conduct for the Public Service ("the Code"). MISA employees are bound by the provisions of the Code, as such it is MISA's responsibility to bring these provisions to the attention of its employees. To this end, a copy of the Code is provided to all MISA employees who are then provided with the opportunity to engage same and subsequently sign an acknowledgement thereof. According to the Code, every public servant must be faithful to the Republic of South Africa ("RSA") and must honour and abide by the Constitution. Accordingly, MISA employees must always act in the public interest in the execution of their duties and must be guided by the laws and policies of the RSA.

MISA employees to a great extent complied with the provisions of the Code and conducted themselves ethically and professionally with the exception of a few employees who failed to submit their annual declaration of interests timeously or adequately. In these instances, the employees were required to make written representation regarding the reasons for the late or inadequate declarations, and after these reasons were considered, the employees were warned to do better in the ensuing financial year.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

In terms of the Notice of the Minister of Cooperative Governance and Traditional Affairs dated 05 July 2013 in which the administrative and operations matters of MISA were promulgated, facilities management was one of the areas determined to be shared services on which MISA and the Department of Cooperative Governance ("DCoG") were required to cooperate. To this end, MISA relied on DCoG for Occupational Health and Safety Act ("OHS Act") compliance. It has however become important that MISA take the compliance into its own hands and has, in this regard, developed an OHS Act compliance action plan which will be implemented during the course of the 2019/2020 financial year. This action plan includes the development of an OHS Policy and Plan, and the appointment and training of Health and Safety Representatives, Fire Marshals and First Aiders.

MISA also conducted a few employee wellness sessions which included a session conducted by Government Employees Medical Scheme. With the increase in the staff compliment during the 2018/2019 financial year, MISA must intensify its effort in ensuring the health and wellness of its employees. To this end, MISA is conducting investigations on the best approach thereto, taking into account the fact that human resource management is a shared service with DCoG.

13. COMPANY /BOARD SECRETARY

Since its establishment, MISA has not had an Advisory Board as contemplated under section 7(A)(4) of the Public Service Act. In terms of this section, it is optional for the relevant Executive Authority to establish an Advisory Board for the government component. Such a Board would only play an advisory and guiding role without the mandate to exercise an executive authority over the component. In the absence of the Board, management has not appointed or assigned any employee or employees as the Board Secretary. The Executive Support Directorate under the Office of the Chief Executive Officer is responsible for performing secretariat function for formal governance structures within the organisation.

14. SOCIAL RESPONSIBILITY

MISA did not implement any social responsibility programme during the financial year under review. Although MISA contributes to the development of technical skills considered to be scarce and critical for economic development, through the implementation of various learning programmes, these programmes are an integral part of the agency's core functions.

15. REPORT OF THE AUDIT COMMITTEE

The Audit Committee ("the Committee") is established as an independent statutory committee in terms of the PFMA. The committee functions within approved terms of reference and complies with relevant legislation, regulation and governance codes.

The Committee submits this report for the year ended 31 March 2019, as required by the Treasury Regulations 3.1.9 and 3.1.13 (b) and (c) issued in terms of sections 38 (1) (a)(i) and 76(4)(e) of the PFMA.

15.1. AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

The Committee consists of five Independent Members and is chaired by Mr AF Sinthumule. The Chief Executive Officer, Chief Financial Officer and Internal and External Auditors have a standing invitation to all meetings of the Committee. The Committee is required to meet at least four times per annum as per its approved terms of reference. Five (5) meetings were held for the reported financial period ended 31 March 2019.

Name	Qualifications	Role	Scheduled Meetings	
			Held	Attended
Mr AF Sinthumule	Dip: Finance & Auditing, BCom Accounting, MBA (Special Project on PFMA)	Chairperson appointed on 22 July 2013	5	5
Mr E Cousins	BCom Accounting (M); BCom Hons (Auditing), Advanced Diploma in Public Administration	External Member appointed on 22 July 2013	5	5
Adv RR Dehal	Advocate of the High Court of South Africa, BProc, LLB	External Member appointed on 22 July 2013	5	2
Ms D Dondur CA(SA), Chartered Director (SA)®	Bachelor Of Accounting, B Compt Hons Honours In Business Administration MBA	External Member appointed on 01 September 2014	5	5
Ms P Mzizi CA(SA)	BBusSci Finance (UCT) BCompt Hons CTA (UNISA) BCom Hons in Transport Economics (UNISA)	External Member appointed on 01 February 2015	5	4

15.2 AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee is satisfied that it has complied with its responsibilities as outlined in Section 38(1)(a) of the PFMA and Treasury Regulation 3.1. The Audit Committee also reports that it has adopted and reviewed formal terms of reference as its Audit Committee charter, and has discharged all its responsibilities as contained therein. The Committee met with the Executive Authority and raised issues of which could impact on the organisational performance and the spending of the budget. MISA also implemented the Post Audit Action Plan with regards to all findings raised through internal and external audit and progress on the implementation of these recommendation is monitored by the Audit Committee on a quarterly basis.

15.3 THE EFFECTIVENESS OF INTERNAL CONTROLS

The PFMA requires the Accounting Officer to ensure that the entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control, whilst it is the Committee's role to review the effectiveness of internal controls and oversee risk management. Reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment. In line with the PFMA, Internal Audit provides the Audit Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. Our review of the findings of the Internal Audit work, which was based on the enterprise risk assessments conducted at MISA revealed certain short comings in mitigating those risks, which were brought to the attention of the entity.

Through our analysis of the audit reports and engagement with MISA we can report that the system of internal controls for the period under review was not entirely adequate and effective in improving the control environment and to reduce the risk to an acceptable level.

15.4 RISK MANAGEMENT

The Risk Management Policy and Strategy for MISA has been approved by the Accounting Officer. These policy documents are presented to the Audit Committee to ensure that they comply with the National Treasury Framework for managing Risks.

The Strategic Risk Assessment for 2018/19 has been conducted and the Risk Assessment report including the risk register was approved by the Accounting Officer and tabled in the Audit Committee for endorsement. Furthermore, the operational risk assessments were conducted and signed –off by the relevant Programme Managers which culminated into various risk registers. The risk registers were used to direct internal audit efforts and priority. Progress on Programme Risk registers are being communicated to various programmes during quarterly reviews meetings to ensure that risks are monitored on a regular basis through the implementation of risk mitigation plans.

MISA has a functional Risk Management Committee. Members were formally appointed by the Accounting Officer and do comply with the approved terms of reference. The Risk Management Committee meet on a quarterly basis to evaluate and monitor risks identified and advise for improvements. In strengthening the process of monitoring risks and improving governance, MISA have appointed the Risk Champions for each programme to assist the Risk Owners in monitoring the implementation of mitigation (action) plans within various programmes. Risk Management reports are also discussed at management meetings to ensure that timeous mitigation of risks are implemented to improve organisational performance. The Committee provide comments on the effectiveness of Risk management within the organisation which must be aligned to the organisational objectives and performance of the Institution. For the period under review there was a slight improvement in addressing identified risks, which led to the improved control environment in the last quarter of the financial year. The Committee concluded that management must take risk management serious and embed the culture in their day to day activities to ensure that the strategic objectives of the entity is achieved.

As part of integrated reporting and to compliment and improve risk management MISA has adopted a Combined Assurance Model aim at providing a basis for identifying areas of potential assurance gaps by bringing identified specific level of assurances to ensure that all risk gaps are dealt with accordingly.

Better co-ordination of assurance providers' activities which in turn will:

- reduce the risk of assurance "fatigue";
- Highlight areas of duplication; and
- Create opportunities for cost savings.

This will enable the Audit Committee with a much better basis for exercising its oversight. The final risk monitoring report reflected a static improvement in mitigating action plans and the Committee concluded that management must take risk management serious to ensure that the strategic objectives of the entity is achieved.

15.5 THE EFFECTIVENESS OF INTERNAL AUDIT

Internal Audit Unit is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all of the significant areas of the entity and its operations. The Committee is responsible for ensuring that the entity's internal audit function is independent and has the necessary resources, skills, standing and authority within the entity to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to the Committee.

The Committee reviews and approves the Risk based Internal Audit Plan annually. Internal audit's activities are measured against the approved internal audit plan and the Head: Internal Audit tables progress reports in this regard to the Committee. The MISA Internal Audit Function worked as an independent, objective assurance and consulting unit designed to add value and improve the entity's operations. It helped the entity to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the period under review, Internal Audit developed a Quality Assurance Improvement Programme (QAIP). The QAIP was subsequently presented to the Audit Committee for noting. A periodic annual assessment for the 2018/19 financial year was conducted in accordance with the IIA standards and the Internal Audit Methodology on the following audits: Assets Management, Travelling and Subsistence Allowances, Post Audit Action Plan (Q1 and Q2) and the Audit of Predetermined Objectives (Q1), the Internal Audit Activity complied with the IIA Standards. The internal audit reports for the financial year under review indicate an improvement in the effectiveness of internal controls. The internal audit reports do, however, also indicate that further strengthening of the internal control environment is required. The overall assessment is thus one of being adequate and effective with areas for improvement.

In the year under review, the Internal Audit Unit developed and implemented a risk based internal audit plan. For the financial year ended 31 March 2019, the Internal Audit function was co-sourced with an external service provider.

Basis of Assessment

Our control assessment opinion is based on the results of all the audits performed by Internal Audit for the year ended 31 March 2019 as follows:

Auditable Area	Assessment by Internal Audit
1.Review of Bi-annual/Annual Financial Statements	Adequate and effective
2.Review of Performance Information(Pre-determined Objectives) quarterly and annually	Adequate and effective
3.Review of Asset Management	Adequate and effective
4.Review of SCM processes (procurement and verification of irregular expenditure)	Adequate and effective
5.IT General Controls- MIPMIS;	Adequate and effective
6.IT General Controls-PERSAL;	Adequate and effective
7.Verification of Post Audit Action Plan (PAAP) quarterly;	Adequate and effective
8.Follow-up Audit;	Adequate and effective
9.Review of travel and subsistence allowance process;	Adequate and effective
10.Review of Technical capacity and technical skills and infrastructure process in municipalities (quarterly);	Adequate and effective
11 Review of Petty Cash Management; and	Adequate and effective
12.Governance Review.	Adequate and effective

The Internal Audit function arrived at their overall opinion based on the rating scale below:
The table below summaries our overall opinion which was determined based on the audit results for the period under review:

Conclusion Ratings	Reporting Audit Results	Key Exposure Identified	Potential Impact of Exposure Identified
Good	Audit objectives are met and therefore the system of internal control is adequate and effective.	No	The system of internal controls is adequate and effective to provide reasonable assurance that the business objectives will be met.
Adequate	Audit objectives are met. However, immaterial incidents require correction. Therefore, the system of internal control is generally adequate and/or effective.	Not Likely	Except for immaterial incidents that need to be corrected, the system of internal control is adequate and effective to provide reasonable assurance that the business objectives will be met. These incidents are not likely to expose the organization to significant risk.
Weak	Audit objectives are not met and the system of internal controls is not adequate and/or effective	Yes	Because of the total breakdown of controls and/or the absence of a system of internal control, business objectives will not be met.

Overall Assessment of Controls Environment

Adequate & Effective

Our overall assessment of the environment is as shown above – Adequate and Effective. This is supported by facts outlined in sections below.

Governance -

Our assessment of the governance processes indicate that appropriate oversight structures are in place and functioning within responsibilities allocated. Structures largely exercise their oversight roles with room for improvement noted in certain areas such as compliance management. The Audit Committee meets regularly as required and deliberate on financial, audit and other matters as necessary.

Risk Management -

The risk function is currently coordinated within the office of the CAE. The risk framework is in place. Risk Champions have been appointed and a risk committee formalized. Strategic and operational risk workshops have been undertaken and the risk registers are in place. The current risk maturity level of 3 can be elevated with certain activities in place. Management needs to appoint a permanent skilled risk manager to assist with elevating the maturity of risk in the environment. The risk tolerance and appetite levels should be defined.

Internal Controls -

The audit reviews undertaken in 2018/19 generally show an adequate and effective control environment within MISA. Areas where controls can be improved in terms of design and effectiveness were noted in key areas audited. We have made recommendations to management around the weaknesses identified and we hope that a tightening of controls across the board will significantly improve the internal controls environment.

15.6 QUALITY OF MANAGEMENT AND MONTHLY / QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT AND THE DIVISION OF REVENUE ACT

MISA presented and reviewed the financial management and performance (predetermined objectives) reports at its Quarterly Review Meetings. These reports were also tabled and discussed at the Audit Committee meetings and the Audit Committee reviewed these reports and raised questions and issues for clarity and explanations.

MISA has reported to the Executive Authority as required by the PFMA.

15.7 EVALUATION OF FINANCIAL STATEMENTS

The Committee reviewed the Annual Financial Statements of the entity and is satisfied that they comply with GRAP Standards and that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates contained in the financial statements;
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- Re-assessment of the useful life of the assets.

The review of Annual Financial Statements and the Draft Annual Report for the 2018/19 Financial Year was done at the Committee's meetings held on 20th and 30th May 2019.

15.8 EXTERNAL AUDIT: AUDITOR GENERAL SOUTH AFRICA

The Committee, in consultation with the Accounting Officer, agreed to the terms of the Auditor General South Africa's engagement letter, audit strategy and audit fees in respect of the 2018/19 financial year.

The Committee also monitored the implementation of the action plans to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2017/18 Financial Year.

The Audit Committee also had committee meetings with the Auditor-General of South Africa.

The Committee has reviewed MISA's implementation plan for audit issues raised in the previous year and concluded that such plan is partially effective as many of the audit findings have not been adequately resolved.

The Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General South Africa.

15.9 GENERAL

The Audit Committee strongly recommends that MISA must prioritise the adequate and effective implementation and frequent monitoring of the audit action plans for both internal and external audit in order to achieve the required effectiveness in governance, accountability and clean administration.

15.10 CONCLUSION

The Audit Committee wishes to extend its appreciation to the Executive Authority, Accounting Officer and Management, Internal Auditors and Auditor-General South Africa for their tireless efforts, commitment and support throughout the year.

Signed on behalf of the Audit Committee by:

Chairperson of the Audit Committee
Municipal Infrastructure Support Agent (MISA)

Date: 31/07/2019

PART D
HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

In line with the Public Service Regulations (Public Service Regulations, 2016, Chapter 3, regulation 31), the Directorate: Human Resources Management gives an account on how it has provided strategic guidance and transformed human resource services within the organisation through the development of strategies and plans, employee engagement and people empowerment practices. Sufficient commitment and resources were dispensed towards ensuring that the entity achieves the planned deliverables, manages risks and challenges and ensures optimal service delivery with adequate level of compliance to governance principles and the public service regulatory framework on people management.

In the year under review, MISA continued with the process of filling key positions in line with its organisational structure consented to by the Department of Public Service and Administration (DPSA) in March 2017. These positions include civil engineers, electrical engineers, town planners and project managers, among others. The other priority was to fill positions within Supply Chain Management, which was identified as a critical area lacking in capacity necessary to address previously identified weaknesses.

The total number of posts on the approved staff establishment is 221 posts, with 167 positions filled and 54 positions remaining vacant, as at 31 March 2019. During the year under review, the vacancy rate of the organisation decreased from 75% in 2017/18 to 24% by end of the 2018/19 financial year. Human Resources Management and Development (HRM & D) continuously monitor the management of vacancies within the organisation, with a view to reducing the vacancy rate even further. A total of 119 new staff members (appointments and transfers) joined MISA during the 2018/19 financial year. Critical positions within the Supply Chain Management Unit have been filled to boost capacity for the function. The filling of Deputy Directors-General positions is also at an advanced stage, with only Cabinet approval outstanding to complete the appointment process.

Employee performance and rewards were managed in accordance with the Performance Management Development System (PMDS) applicable to the public service. An achievement level of 98% was reached on compliance with the employee management performance framework. Two (2) Employee Wellness Programme sessions were held under the period under review and MISA finalised eight HR policies, which have been consulted on and approved during the year under review.

MISA has developed a Human Resource (HR) Plan for the organisation, which was submitted to the Department of Public Service and Administration (DPSA) within the deadline of 30 June 2018. Other achievements include the recruitment of technical personnel in the form of engineers, project managers and town planners as part of the staff compliment on a permanent basis resulting in the scaling down on the entity's reliance on technical consultants previously engaged on short-term basis. To attract and retain skilled technical personnel, management has decided to recruit technical professionals through the Occupation Specific Dispensation (OSD), which recognises and rewards the skills and experience of particular categories of professionals in the public service.

Future HR goals include, amongst others, the filling of the remaining vacancies to significantly reduce the vacancy rate and strengthen capacity in key strategic areas within MISA. In addition, the strengthening of employee wellness programmes and employee relations to render the working environment conducive for high performance and better service delivery will be given priority attention.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	98 847	41 577	42%	72	577
Technical Support Services	296 084	118 107	40%	588	201
IDMS	25 265	3 413	14%	5	683
Total	**420 196**	**163 097**	**39%**	**665**	**245**

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 133	1.3%	1	2 133
Senior Management	33 204	20.4%	35	949
Professional qualified	66 817	41.0%	96	696
Skilled	7 354	4.5%	20	368
Semi-skilled	5 628	3.4%	25	225
Unskilled	11 747	7.2%	66	178
Temporary employees	36 214	22.2%	422	86
TOTAL	**163 097**	**100.00%**	**665**	**245**

Performance Rewards

Programme/activity/ objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	2 133	0%
Senior Management	117 884	33 204	0.4%
Professional qualified	98 113	66 817	0.1%
Skilled	129 348	7 354	1.8%
Semi-skilled	243 447	5 628	4.3%
Unskilled	15 061	11 747	0.1%
Total	**603 853**	**126 883**	**0.5%**

Training Costs

Programme// activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Administration	41 577	801	1.9%	41	19 537
Technical Support Services	118 107	18 000	15.2%	380	47 368
IDMS	3 413	0	0	0	0
Total	**163 097**	**18 801**	**11.5%**	**421**	**44 658**

Employment and vacancies

Programme/activity/ objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Office of the CEO	7	20	14	6	30%
Technical Support Services	20	134	107	27	20%
IDMS	1	15	2	13	87%
Corporate Management Services	12	23	19	4	17%
Financial Management Services	15	29	25	4	14%
Total	**55**	**221**	**167**	**54**	**24%**

Programme/activity/ objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Top Management	0	3	1	2	67%
Senior Management	21	36	30	6	17%
Professional qualified	0	84	70	14	17%
Skilled	24	55	36	19	35%
Semi-skilled	9	42	29	13	31%
Unskilled	1	1	1	0	0%
Total	**55**	**221**	**167**	**54**	**24%**

MISA Organisational structure was only approved in March 2017, HR embarked on the process of filling all the vacancies and as of the reporting period only six (6) SMS positions remain vacant. The plan is to fill all SMS posts in the next financial year

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	0	1	0	1
Senior Management	21	9	0	30
Professional qualified	0	77	7	70
Skilled	24	12	0	36
Semi-skilled	9	20	0	29
Unskilled	1	0	0	1
Total	**55**	**119**	**7**	**167**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	7	7%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	98	93%
Other	0	0%
Total	**105**	**100%**

The trend on the reasons for employees leaving the organisation is better salary offers elsewhere and contract expiry. The organisation is still working on the retention policy to address the resignation. It should be noted that even if there is a retention policy in place at MISA, that may still not deter officials resigning for other different reasons.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	3
Final Written warning	0
Dismissal	0
Total	**3**

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	2	0	0	0	0	0	0
Senior Management	15	15	2	2	0	0	0	0
Professional qualified	44	41	0	2	3	3	13	9
Skilled	8	7	0	0	0	0	0	0
Semi-skilled	6	6	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
TOTAL	**75**	**72**	**2**	**4**	**3**	**3**	**13**	**9**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	14	14	0	0	0	0	0	1
Professional qualified	30	29	1	2	0	0	3	1
Skilled	8	9	0	0	0	0	0	0
Semi-skilled	14	16	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**66**	**69**	**1**	**2**	**0**	**0**	**3**	**2**

Levels	Disabled Staff			
	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
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Temporary employees	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

MISA has started the process of also sending and placing adverts to organisation for people with Disability to try to achieve the 2% target for appointment of people with disability.

PART E
FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the set out on pages 68 to 105, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Infrastructure Support Agent as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no.1 of 1999) (PFMA).

Basis for opinion

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

4. I am independent of the government component in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Underspending of the budget

7. As disclosed in the Statement of Comparison of Budget and Actual Amountsand note 26, there was a material underspending of R 60 009 160 by the government component due to delays in the implementation of prior year planned projects, consequently, government component did not achieve the target under Programme 1: Percentage of adjusted budget spent by the end of the financial year.

Restatement of corresponding figures

8. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the government component at, and for the year ended, 31 March 2019

Responsibilities of the accounting officer for the financial statements

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

10. In preparing the financial statements, the accounting officer is responsible for assessing the Municipal Infrastructure Support Agent'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 government component or to cease operations, or has no realistic alternative but to do so.

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

11. 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.

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

Report on the audit of the annual performance report

Introduction and scope

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

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

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the government component for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – Technical Support Services	30 – 35
Programme 3 – Infrastructure Delivery Management Support	35 – 38

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

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

- Programme 2 – Technical Support Services
- Programme 3 – Infrastructure Delivery Management Support

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 25 to 38 for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of a number of targets.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Technical Support Services and Programme 3: Infrastructure Delivery Management Support. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Other information

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

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

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider

whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. 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

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

Auditor General

Pretoria
31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the government component's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.

- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipal Infrastructure Support Agent ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a government component to cease continuing as a going concern

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

Communication with those charged with governance

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

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

MISA

MUNICIPAL INFRASTRUCTURE
SUPPORT AGENT

Today, Creating a Better Tomorrow

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
Annual Financial Statements
for the year ended 31 March 2019

General Information

Nature of business and principal activities	MISA is a dedicated and coordinated technical capacity programme to support municipalities in accelerating the service delivery as well as the sustainable operations and management of municipal infrastructure.
Registered office	Letaba House Riverside Office Park 1303 Heuwel Road Centurion 0046
Postal address	Private Bag X105 Centurion 0046
Controlling entity	The Municipal Infrastructure Support Agent (MISA) is a Government Component within the Ministry for Cooperative Governance(DCoG), established in terms of Presidential Proclamation No. 29 of 2012. It is a Schedule 3 entity regulated in terms of the Public Service Act, of 1994, as amended. Its principal mandate is to provide technical support to and assist municipalities to strengthen their internal capacity for delivery and maintenance of basic service infrastructure.
Bankers	Standard Bank South Africa
Auditors	Auditor-General South Africa
Secretary	None

Index

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

Abbreviations

DCoG	Department of Cooperative Governance
GRAP	Generally Recognised Accounting Practice
MISA	Municipal Infrastructure Support Agent
IDP'S	Intergrated Development Plans
MIPMIS	Municipal Infrastructure Perfomance Management Information System
PFMA	Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999)

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act (Act 1of 1999 as amended by Act 29 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of MISA as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with Generally Recognised Accounting Practice (GRAP) standards and in a manner required by the PFMA. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Agency and all employees are required to maintain the highest ethical standards in ensuring that the Agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operational risk cannot be fully eliminated, the Agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Agency's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, he is satisfied that the entity will have access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 63 to 100, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 July 2019 and were signed on its behalf by:

Mr G.N Vimba
Chief Executive Officer
MISA Date: 31/07/2019

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 31 March 2019.

1. Incorporation

The Municipal Infrastructure Support Agent (MISA) is a Government Component within the Ministry for Cooperative Governance (DCoG), established in terms of Presidential Proclamation No.29 of 2012. It is a schedule 3 entity regulated in terms of the Public Service Act, of 1994, as amended. Its principal mandate is to provide technical support to and assist municipalities to strengthen their internal capacity for delivery and maintenance of basic service infrastructure.

MISA was officially proclaimed as a government component on 11 May 2012

Establishment of MISA

In 2011, DCoG announced that it was in the final stages of setting up a Special Purpose Vehicle (SPV), to be called Municipal Infrastructure Support Agent (MISA), which will assist weaker municipalities with infrastructure delivery by:

1.1 Supporting municipalities to conduct effective infrastructure planning to achieve sustainable service delivery
1.2 Supporting and assisting municipalities with the implementation of Infrastructure projects as determined by the municipal integrated Development Plans(IDPs)
1.3 Supporting and assist municipalities with the operation and maintenance of municipal infrastructure.
1.4 Building the capacity of municipalities to undertake effective planning, delivery, operations and management of municipal infrastructure.
1.5 Any function that may be deemed ancillary to that listed in the subparagraph above.

On establishment, the funding for MISA was ring fenced within the vote of the Department of Coorporate Governance. At the time, the SPV was operating as a sub-programme within the Department of Cooperative Governance Programme 6: Infrastructure and Economic Development

As a goverment component MISA is expected to operate in accordance with all the relevant legislation, regulation and policies of the Public Service. These include:

- Public Finance Management Act, 1999 (Act No. 29 of 1999, as amended) and Treasury Regulations
- Public Service Act, 1994 (promulgated under proclamation No. 103 of 1994) and Public Service Regulations (2001)

The Head of MISA is an Accounting Officer of the institution in terms of section 36 (2) (b) of the PFMA.

Section 40 of the PFMA requires the Accounting Officer of the institution to "prepare financial statements for each year and submit those financial statements within two months after the end of the financial year to the Auditor-General South Africa and National Treasury.

2. Review of activities

Main business and operations

MISA is a dedicated and coordinated technical capacity programme designed to support municipalities in accelerating service delivery as well as the sustainable operations and management of municipal infrastructure.

This is the sixth year of reporting as a separate entity.

Net defict for the period under review
Net deficit of the entity for the year under review is R 72 792 750 (R 83 182 017: 2018 Surplus).

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a

Accounting Officer's Report

going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the National Treasury through DCoG will continue funding the ongoing operations of the entity. MISA will continue its operations for the forseeable future.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Statements of GRAP, issued by the Accounting Standards Board as prescribed by the framework for National Treasury.

5. Accounting Officer

The Accounting Officer of the entity during the current year and to the date of this report is as follows:

Name	Nationality
Mr G.N Vimba (Chief Executive Officer)	South African

6. Fraud

MISA is not aware of any fraud incurred during the year under review.

Statement of Financial Position as at 31 March 2019

	Notes	2019 R	2018 Restated* R
Assets			
Current Assets			
Prepayments	3	213,295	1,096,514
Receivables from exchange transactions	4	593,424	-
Receivables from non-exchange transactions	5	360,004	322,831
Cash and cash equivalents	6	146,447,354	202,579,900
		147,614,077	203,999,245
Non-Current Assets			
Property, plant and equipment	7	10,722,311	7,260,690
Intangible assets	8	21,330,498	24,725,372
		32,052,809	31,986,062
Total Assets		179,666,886	235,985,307
Liabilities			
Current Liabilities			
Operating Lease Liability	9	295,527	132,027
Payables from exchange transactions	10	54,565,592	40,285,042
Provisions	11	9,248,244	7,217,965
		64,109,363	47,635,034
Total Liabilities		64,109,363	47,635,034
Net Assets		115,557,523	188,350,273
Accumulated surplus		115,557,523	188,350,273

* See Note 28

Statement of Financial Performance

	Notes	2019 R	2018 Restated* R
REVENUE			
Revenue from Exchange Transactions			
Interest received		4,947,952	4,151,824
Revenue from Non-Exchange Transactions			
Transfer revenue			
Government grants (DCoG)	13	342,456,000	381,483,000
TOTAL REVENUE	12	347,403,952	385,634,824
Expenditure			
Employee related costs	14	(163,096,892)	(65,256,219)
Depreciation and amortisation	15	(5,430,547)	(4,998,807)
Contracted services	16	(190,701,222)	(180,727,865)
General Expenses	17	(60,968,041)	(51,469,916)
TOTAL EXPENDITURE		(420,196,702)	(302,452,807)
(Deficit) surplus for the year		(72,792,750)	83,182,017

* See Note 28

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2017	105,168,256	105,168,256
Changes in net assets		
Surplus for the year	83,182,017	83,182,017
Total changes	83,182,017	83,182,017
Restated* Balance at 01 April 2018	188,350,273	188,350,273
Changes in net assets		
Surplus/(Deficit) for the year	(72,792,750)	(72,792,750)
Total changes	(72,792,750)	(72,792,750)
Balance at 31 March 2019	115,557,523	115,557,523

* See Note 28

Cash Flow Statement

	Notes	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Grants		342,456,000	381,483,000
Interest income		4,354,528	4,151,824
		346,810,528	385,634,824
Payments			
Employee costs		(160,478,954)	(61,625,329)
Goods and Services		(236,717,623)	(238,821,026)
		(397,196,577)	(300,446,355)
Net cash flows from operating activities	18	(50,386,049)	85,188,469
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(5,721,574)	(2,285,362)
Purchase of other intangible assets	8	(24,922)	(49,163)
Net cash flows from investing activities		(5,746,496)	(2,334,525)
Net increase in cash and cash equivalents		(56,132,545)	82,853,944
Cash and cash equivalents at the beginning of the year		202,579,900	119,725,956
Cash and cash equivalents at the end of the year	6	146,447,355	202,579,900

* See Note 28

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	**Approved budget** **R**	**Adjustments** **R**	**Final Budget** **R**	**Actual amounts on comparable basis** **R**	**Difference between final budget and actual** **R**	**Reference**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	-	-	-	4,947,952	4,947,952	Note 26
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	342,456,000	-	342,456,000	342,456,000	-	
Total revenue	342,456,000	-	342,456,000	347,403,952	4,947,952	
Expenditure						
Employee related costs	(156,497,000)	-	(156,497,000)	(163,096,892)	(6,599,892)	Note 26
Depreciation and amortisation	(8,514,157)	-	(8,514,157)	(5,430,547)	3,083,610	Note 26
Contracted Services	(107,560,887)	(145,149,495)	(252,710,382)	(190,701,222)	62,009,160	Note 26
General Expenses	(69,883,956)	(11,000,000)	(80,883,956)	(60,968,041)	19,915,915	Note 26
Total expenditure	(342,456,000)	(156,149,495)	(498,605,495)	(420,196,702)	78,408,793	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(156,149,495)	(156,149,495)	(72,792,750)	83,356,745	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 40(1)(b) of the Public Finance Management Act (Act 1of 1999 as amended by Act 29 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. The financial statements are presented in South African Rand, which is the functional currency of the entity.

The preparation of annual financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the cirmumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods..

Provision for Technical Consultant Overtime

To determine the provision for overtime for technical consultant, judgement was used in determining the future forfeiture based on the past experienceof technical consultant who left with unutilised hours.

Useful lives of Property , plant and equipment

MISA's management determines the estimated useful lives and related depreciation charges for Property , plant and equipment. This estimate is based on time period they expect to use the assets. Management also consider's the time period similar assets are used for by entities of a similar nature.

Intangible assets

To determine the useful life of assets management considered for what time period they expect to use the assets. Management considered the impact of technology and the service requirements of the entity to determine the optimum useful life expectation of the assets for internally generated intangible assets management determine the useful life by considering the software platform , software laungage and software source code. Management also considered information relating to the useful life provided by software developer.

1.3 Contingent liabilities

Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the government component or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably .

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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.

An item of property, plant and equipment is derecognised:
- on disposal, and/ or
- when no future economic benefits or service potential expected from use or disposal.

The gain or loss from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5-10 years
Motor vehicles	Straight line	5-7 years
Office equipment	Straight line	5-10 years
Computer equipment	Straight line	5-8 years

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. If expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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.

Intangible assets acquired are measured on initial recognition at cost.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired seperately.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Amortisation method	Average useful life
Computer software, other	Straight line	5-10 years
Computer software, internally generated	Straight line	10 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

The recoverable amount used for the impairment is the higher of fair value less costs to sell and the value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.8 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.9 Provisions

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.

Accounting Policies

1.9 Provisions (continued)

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

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Previously MISA had a constructive obligation towards payment of leave gratuity to individual technical consultants. MISA has since phased out the use of individual technical consultants.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the organ of state receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method and is recognised on a time proportion basis.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

MISA receives annual transfers from DCoG as per the allocation from National Treasury in four tranches.

Recognition

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

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

MISA recognises the transfers after submitting quarterely performance and financial reports to DCoG.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.13 Fruitless and wasteful expenditure

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

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

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the Irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the note.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

Irregular expenditure is disclosed in note 25 in the annual financial statements.

1.15 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis of accounting.

The approved budget covers the fiscal period from 01 April 2018 to 31 Mach 2019.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.16 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. The following are regarded as related parties of the entity;

a) A person or a close member of that person's family is related to the reporting entity if that person:
- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or

Accounting Policies

1.16 Related parties (continued)

- is a member of the management of the entity or its controlling entity.

b) An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to others)
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third party and the other entity is an associate of the third party;
- the entity is a post employment benefit plan for the benefit of employees of either entity is itself a plan,the sponsoring employers are related to the entity;

Related party transaction: is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence: is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

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

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

Disclosure: Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or less favourable than the terms it would use to coclude transactions with any other person are disclosed.

MISA is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Board is exempt from the disclosures in accordance with the above, it discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

1.17 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.18 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Accounting Policies

1.18 Financial instruments (continued)

- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

Receivables from non-exchange transactions
MISA does not have trade receivables. Other receivables are initially recognised at fair value, plus or minus transactions costs, and subsequently measured at amortised cost using the effective interest rate method.

Receivables from exchange transactions

Receivables from exchange transactions are disclosed separately from other receivables from non-exchange transactions. Receivables from exchange transaction are subsequentely measured at armotised cost, using effective interest method, less accumulated impairement losses.

Payables from exchange transactions
Trade payables are initially measured at fair value plus or minus transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method and are derecognised when payment is made.

Prepayment

Prepayments are recognized in the statement of financial position when the MISA pays in advance for expenses. Prepayments are initially and subsequently measured at cost.

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

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

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables	Financial liability measured at amortised cost

Accounting Policies

1.18 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.18 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity 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.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.19 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Accounting Policies

1.19 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.20 Construction Contracts

A construction contract is a contract, or similar binding arrangement specifically negotiated for the construction of an asset, or combination of assets, that are closely interrelated or interdepended in terms of its design, technology and function or the ultimate purpose or use. Retention are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

MISA is involved in fixed price contracts; these are construction contracts in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

Contract costs are recognised as expenditure in the statement of financial performance in the period in which the construction work is performed. Retentions not paid are recognised as liabilities in the statement of financial position at the end of the reporting period.

Construction contracts expenditure are included in contracted services.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

New Standard and Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	The adoption of this has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Impact is currently being assessed

2.2 Standards and interpretations issued but not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods but are not relevant to its operations:

GRAP 20

GRAP 20 sets out the principles for the identification and disclosure of related party relationships and transactions. MISA has adopted the principles set out in GRAP 20. MISA has officially applied the standard on the initial effective. The adoption of this has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

IGRAP 19

IGRAP 19 it provides guidance on when to recognise liabilities to pay levies, i.e. when the activity that triggers the payment of a liability occurs. sets out the accounting principles for the accounting treatment for the impairment of non-cash-generating assets. MISA has adopted the principles set out in IGRAP 19. MISA will officially apply the standard on the effective date determined by the Minister. The impact of initial application is currently being assessed.

Notes to the Annual Financial Statements

	2019 R	2018 R

3. Prepayments

The prepayment for Microsoft refers to licence fees paid to a service provider for the 25 months from January 2018 to end of January 2020.

	2019 R	2018 R
Prepayment - Microsoft	213,295	1,096,514

4. (Increase)/ increase in Receivables from exchange transactions

	2019 R	2018 R
Interest receivable on Call Account	593,424	-

5. Receivables from non-exchange transactions

	2019 R	2018 R
	-	-
Debtors	547,973	441,392
Provision for doubtful debts	(187,969)	(118,561)
	360,004	322,831

Reconciliation of provision for doubtful debts		
Opening balance	(118,561)	(128,101)
Decrease/(Increase) in provision	(69,408)	9,540
Closing balance	(187,969)	(118,561)

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 R	2018 R
Cash on hand-Petty Cash	7,233	20,574
Bank balances-Current and Salary Account	22,983,965	113,224,125
Short-term deposits- Call Account	123,456,156	89,335,201
	146,447,354	202,579,900

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6,476,052	(3,761,040)	2,715,012	5,174,752	(3,361,110)	1,813,642
Motor vehicles	624,322	(427,569)	196,753	624,322	(338,380)	285,942
Office equipment	2,934,906	(1,324,752)	1,610,154	2,839,340	(1,167,886)	1,671,454
Computer equipment	14,510,307	(8,309,915)	6,200,392	11,012,627	(7,522,975)	3,489,652
Total	24,545,587	(13,823,276)	10,722,311	19,651,041	(12,390,351)	7,260,690

Notes to the Annual Financial Statements

	2019 R	2018 R

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Losses written off	Depreciation	Total
Furniture and fixtures	1,813,642	1,307,899	(1,400)	(405,129)	2,715,012
Motor vehicles	285,942	-	-	(89,189)	196,753
Office equipment	1,671,454	199,712	(24,030)	(236,982)	1,610,154
Computer equipment	3,489,652	4,213,963	(223,212)	(1,280,011)	6,200,392
	7,260,690	5,721,574	(248,642)	(2,011,311)	10,722,311

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Losses written off	Depreciation	Total
Furniture and fixtures	1,756,894	355,796	-	(299,048)	1,813,642
Motor vehicles	375,130	-	-	(89,188)	285,942
Office equipment	1,018,241	891,270	(57,087)	(180,970)	1,671,454
Computer equipment	3,616,549	1,038,296	(143,444)	(1,021,749)	3,489,652
	6,766,814	2,285,362	(200,531)	(1,590,955)	7,260,690

Pledged as security

There are no items of Property plant and equipment pledged as security.

8. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	575,719	(461,650)	114,069	553,496	(439,182)	114,314
Municipal Infrastructure Perfomamnce Management Information System (MIPMIS)	33,946,286	(12,729,857)	21,216,429	33,946,286	(9,335,228)	24,611,058
Total	34,522,005	(13,191,507)	21,330,498	34,499,782	(9,774,410)	24,725,372

Reconciliation of intangible assets - Mar 2019

	Opening balance	Additions	Amortisation	Write off loss	Total
Computer software, other	114,314	24,922	(24,607)	(561)	114,068
Municipal Infrastructure Perfomamance Management Information System (MIPMIS) - (Internally generated)	24,611,058	-	(3,394,628)	-	21,216,430
	24,725,372	24,922	(3,419,235)	(561)	21,330,498

Notes to the Annual Financial Statements

	2019 R	2018 R

8. Intangible assets (continued)

Reconciliation of intangible assets - Mar 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	78,373	49,164	(13,223)	114,314
Municipal Infrastructure Performance Management System (MIPMIS) - (Internally generated)	28,005,686	-	(3,394,628)	24,611,058
	28,084,059	49,164	(3,407,851)	24,725,372

Pledged as security

There are no idle assets held and there are no assets pledged as security of liens assets.

9. Operating Lease Liability

	2019 R	2018 R
Non-current liabilities	-	-
Current liabilities	(295,527)	(132,027)
Operating lease accrual	(295,527)	(132,027)

Minimum Lease payments due

	2019 R	2018 R
TOTAL	10,048,320	18,959,288
Within one year	9,550,041	9,975,667
In the second to fifth year	498,279	8,983,621

The amounts above shows operating leases for office space and photocopiers. The office space is for MISA head office.

The lease term for the head office is for a period of 2 years which commenced on 1 December 2017 and ends on 31 January 2020. The esclation clause is 8.5% per year.

The lease term for photocopiers is for a duration of 3 years.

Currectly MISA has 6 operating lease contracts with a duration of 3 years per contract. The first contract commenced on the 24th of April 2017 and the last contract ends on the 31st October 2021.

10. Payables from exchange transactions

	2019 R	2018 R
Trade payables	54,393,671	39,290,379
Other payables	171,921	994,663
	54,565,592	**40,285,042**

Included in payables from exchange transactions is the retentions amount of R 2 037 297 related to Construction contracts

Notes to the Annual Financial Statements

	2019 R	2018 R

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Movement	Closing Balance
Leave Provision: Technical consultant	2,432,756	(2,432,756)	-
Leave provision: Employees	4,085,209	3,813,035	7,898,244
Bonus Provision	700,000	650,000	1,350,000
	7,217,965	2,030,279	9,248,244

Reconciliation of provisions - 2018

	Opening Balance	Movement	Total
Leave Provision: Technical consultant	4,989,668	(2,556,912)	2,432,756
Leave Provisions: Permanent staff	1,886,864	2,198,345	4,085,209
Bonus Provision	-	700,000	700,000
	6,876,532	341,433	7,217,965

Leave Provision: This relates to the value of leave owing to MISA staff , the liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. Accumulating leave is carried forward and can be used in future periods if the current period entitlement is not used in full. Any unused leave relating to prior year will be forfeited in June of the subsequent year. All unused leave will be paid out to the employee at the end of the employment term or termination of contract.

Bonus Provision: This relates to performance bonus to be paid in the 2019/20 year. Currently the performance assessments are being moderated. The actual amount to be paid is unknown, however a reasonable estimate has been calculated as indicated in the table above.

12. Revenue from exchange transactions

	2019 R	2018 R
Interest received	4,947,952	4,151,824

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

	2019 R	2018 R
Interest received - Call Account	4,947,952	4,151,824

13. Revenue from non exchange transactions

	2019 R	2018 R
Government grant	342,456,000	381,483,000

Notes to the Annual Financial Statements

	2019 R	2018 R
14. Employee related cost		
Salaries	147,848,942	60,114,627
Bonus	4,181,089	1,401,094
Medical aid	724,867	443,506
Pension	8,949,342	2,465,906
Travel, motor car, accommodation, subsistence and other allowances	1,392,652	831,086
	163,096,892	65,256,219
Remuneration of Chief Executive Officer - Vimba GN		
Annual Remuneration	1,428,006	1,213,305
Contributions to Medical and Pension Fund	152,129	94,729
Non pensionable cash, Motor car and Housing	466,524	490,670
	2,046,659	1,798,704
Remuneration of Chief Financial Officer - Nombembe F		
Annual Remuneration	857,711	800,976
Contributions to Medical and Pension Fund	111,592	104,202
Non pensionable cash, Motor car and Housing	256,088	239,148
	1,225,391	1,144,326
Remuneration of Acting Deputy Director General - Ngobeni TS		
Annual Remuneration	1,167,359	893,960
Contributions to Medical and Pension Fund	122,330	114,717
Non pensionable cash, Motor car and Housing	182,824	234,288
	1,472,513	1,242,965
Remuneration of Acting Deputy Director General - Seroka T		
Annual Remuneration	50,843	39,929

The amount reflected only represents an acting allowance from April 2018 to November 2018 as T Seroka's salary is paid by DCoG.

	2019 R	2018 R
Remuneration of Chief Director : Office of CEO - Mathada V		
Annual Remuneration	879,459	766,245
Contributions to Medical and Pension Fund	110,840	104,318
Non pensionable cash, Motor car and Housing	331,067	308,356
	1,321,366	1,178,919
Remuneration of Chief Director: Chikwanda M		
Annual Remuneration	110,435	-
Contributions to Medical and Pension Fund	14,371	-
Non pensionable cash, Motor car and Housing	24,532	-
	149,338	-

Remuneration of Acting Chief Director - Dladla TH

Notes to the Annual Financial Statements

14. Employee related cost (continued)

	2019 R	2018 R
Annual Remuneration	312,409	675,458
Contributions to Medical and Pension Fund	44,501	101,940
Non pensionable cash, Motor car and Housing	115,803	261,006
	472,713	1,038,404

Remuneration of Chief Director: Kock J

	2019 R	2018 R
Annual Remuneration	588,777	-
Contributions to Medical and Pension Fund	75,537	-
Non pensionable cash, Motor car and Housing	173,367	-
	837,681	-

Remuneration of Chief Director: Mamuremi F

	2019 R	2018 R
Annual Remuneration	700,363	-
Contributions to Medical and Pension Fund	84,762	-
Non pensionable cash, Motor car and Housing	139,968	-
	925,093	-

Notes to the Annual Financial Statements

	2019 R	2018 R
14. Employee related cost (continued)		
Remuneration of Chief Director - Mathabathe R		
Annual Remuneration	138,756	-
Contributions to Medical and Pension Fund	18,053	-
Non pensionable cash, Motor car and Housing	41,429	-
	198,238	-
Remuneration of Acting Chief Director - Sigcau L		
Annual Remuneration	831,796	729,826
Contributions to Medical and Pension Fund	78,596	87,660
Non pensionable cash, Motor car and Housing	130,007	349,853
	1,040,399	1,167,339
Remuneration of Acting Chief Director: Mpengesi L		
Annual Remuneration	432,037	-
Contributions to Medical and Pension Fund	40,515	-
Non pensionable cash, Motor car and Housing	67,013	-
	539,565	-

Mr Mpengesi acted as a Chief director: Infrastustructure Analysis and Assessment for period of six months from June 2018 to November 2018 and again with effect from March 2019 for six months

	2019 R	2018 R
Summary of Key Management Personnel		
Chief Executive Officer	2,046,659	1,798,704
Executive Managers	8,233,140	5,811,882
	10,279,799	7,610,586
15. Depreciation and amortisation		
Property, plant and equipment	2,011,312	1,590,956
Intangible assets	3,419,235	3,407,851
	5,430,547	4,998,807
16. Contracted services		
Information Technology Services	2,435,145	1,826,739
Professional and consulting services	116,985,857	157,438,021
Property rental	11,960,045	8,063,818
Agency support	8,886,642	3,168,621
Security services	1,143,993	828,716
Construction Contracts	49,289,540	9,401,950
	190,701,222	180,727,865

Construction Contracts relate to infrastructure related projects constructed on behalf of municipalites. All construction contracts related costs are expensed in the year they are incurred.

Notes to the Annual Financial Statements

	2019 R	2018 R
17. General expenses		
Advertising expenses	1,227,966	879,660
Audit fees	5,444,675	4,857,765
Bank Charges	122,537	96,510
Cleaning	732,220	507,117
Computer expenses	-	280,254
Office related expenditure	1,884,834	517,301
Increase/(decrease) in loss on disposal and impairment	69,408	(9,540)
Entertainment	381,826	78,206
Printing and stationery	847,288	898,705
Telephone	610,043	1,135,924
Transport	2,732,628	2,101,658
Training	19,184,870	19,242,649
Accomodation	20,660,221	10,825,798
Bursaries	4,827,350	7,732,164
Catering	545,204	745,370
Sundry expenses	1,431,512	1,526,902
Venues and facilities	265,459	53,473
	60,968,041	51,469,916

Included under sundry expenses are the following expenses:		
Consumables	162,315	66,431
Staff funeral	30,300	10,000
Courier	13,559	9,966
Court order	-	34,668
Legal costs	976,137	1,205,306
Loss on write off of fixed assets	249,201	200,531
	1,431,512	1,526,902

Office related expenditure relates to stationery, minor assets, fuel and office refreshments.

18. Cash (used in) generated from operations		
Surplus/ (Deficit) for the year	(72,792,750)	83,182,022
Adjustments for:		
Increase /(Decrease) in Depreciation and amortisation	5,430,547	4,998,807
Increase /(Decrease) in Loss on disposal of fixed assets	249,201	200,531
Decrease/(Increase) in operating lease liabilities	163,500	(527,719)
Decrease / (Increase) in provisions	2,030,279	341,433
(Increase)/ increase in Receivables from exchange transactions	(593,424)	-
(Increase)/ Decrease in Receivables from non-exchange transactions	(37,173)	(193,356)
Decrease in Prepayments	883,219	1,403,486
Increase/(Decrease) in Payables from exchange transactions	14,280,552	(4,216,735)
Cash (used in) generated from operations	**(50,386,049)**	**85,188,469**

Notes to the Annual Financial Statements

	2019 R	2018 R
19. Commitments		
Approved Expenditure		
Approved and contracted for		
• Technical Experts	-	14,355,905
• Contractors	214,233,819	241,247,685
	214,233,819	255,603,590
Approved and contracted for-within one year		
• Technical Experts	-	14,355,905
• Contractors	150,628,631	190,033,919
	150,628,631	204,389,824
Approved and contracted for -2 years and longer		
Technical Experts	-	-
Contractors	63,605,188	51,213,766
	63,605,188	51,213,766

This committed expenditure relates to service providers and will be financed by annual transfers from National Treasury through DCoG. Included in the amount above, are the operating lease commitments as disclosed in note 9.

20. Contingencies

Contingent liability

The contingent liabilities relate to the following:
1. Claim by former service providers contracted to provide services relating to arranging travel, accomodation and venue hire for MISA. The service provider is claiming payment for service rendered which MISA is disputing. MISA is uncertain of the timing of any outflows, (R 983 000).
2. Claim by service provider for work done on the Northern Cape Bucket eradication program. Contract was terminated by mutual agreement, the claim is for R12 000 000. There are no prospects of MISA paying based on the expert report on work done. The other amount claimed was not for work performed and MISA also has a counter claim. Further, the reason for termination was due to the submission of fraudulent tax clearance certificate.
3. Claim by former technical consultants relating to extension of contracts. MISA may be required to pay R4 million plus legal costs should the former TCs win their case. The probabilities of MISA being required to pay are low. The contracts of the TCs expired and the new process excluded them objectively.

Claim by service providers	16,983,000	19,075,000
	16,983,000	19,075,000

Notes to the Annual Financial Statements

	2019 R	2018 R

21. Related parties

Relationships

The following are members of the same economic entity namely:

Department of Cooperative Governance
Department of Traditional Affairs
Municipal Demarcation Board
South Africa Cities Networks-Fellow Controlled Entity
South African Local Government Association
CRL Rights Commission

Related party transactions

	2019 R	2018 R
Transfer Received		
Transfer from DCoG	342,456,000	381,483,000
Payments made		
Amounts paid to DCoG for reimbursement of costs	3,481,233	32,092,892
Related party balances		
Amount included in payables from exchange transaction (Trade Creditors) owed to DCoG for the recovery of cost paid by DCoG on behalf of MISA. This is payable within 30 days of invoicing.	293,093	3,603,929

Refer to note 15 for key management personnel information.

22. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.The management of the entity have overall responsibility for the establishment and monitoring of the entity's risk management policies and procedures which have been established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls and to monitor adherence to limits, risk management policies and procedures and reviewed regularly to reflect changes in market conditions and the entity’s activities

Liquidity risk

Liquidity risk is the risk that relates to the entity's ability to pay all its creditors.

MISA does not have any long term liabilities. The entity receives its funding from CoGTA and incurs expenditure in terms of a planned budget. MISA has sufficient resources to meet its obligations as they fall due, Refer to **note 5**. Monthly management meetings are held to ensure that the planned budget is adequately managed.

Maturity analysis

	2019 R	2018 R
Total	**54,565,594**	**40,285,041**
30 days	54,565,594	39,029,216
>30-60 days	-	1,255,825

Notes to the Annual Financial Statements

	2019 R	2018 R

22. Risk management (continued)

Credit risk

Credit risk is the risk that an entity's debtors will not be able to pay. MISA is not a trading entity and therefore does not usually have debtors and therefore has minimal credit risk. The receivables as reflected below relate to staff debtors who have been over-paid, consequently no independent assessment on the quality of the debtor was done. For the debtors reflected below acknowledgement of debt and repayment plans have been received. The majority of debtors are abiding by the repayment terms.

Financial assets exposed to credit risk at 31 March 2019 were as follows:

Age analysis of receivables for non-exchange transactions (neither past due nor impaired)	2019	2018
0-3 months	102,765	185,327
>3-6 months	-	-
>6-12 months	25,309	-
>12 months and older	231,930	137,504
TOTAL	360,004	322,831

Market risk

Market risk is the risk that the fair value or future cash flows of an entity's financial instruments may fluctuate due to changes in market prices. MISA has insignificant market risk in terms of the cash held in its bank account.

23. Fruitless and wasteful expenditure

Opening balance	1,524,317	1,524,317
Add: Expenditure incured - current year	2,058	-
	1,526,375	1,524,317

24. Irregular expenditure

Opening balance	281,958,697	269,801,872
Add: Irregular Expenditure - current year	12,747,560	12,156,825
Less: Amount condoned	(294,706,257)	-
	-	-
	-	-
	-	281,958,697

A total amount of R346 269 335; R295 338 544 was condoned by National Treasury in May 2019 and R50 930 791 in July 2019. Included in this was an amount of R51 563 078 that was previously condoned internally by Accounting Officer in 2016/17 financial year

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non compliance with procurement regulations	Disciplinary steps have been initiated	12,747,560

25. Employee benefit obligations

Defined benefit plan

Contributions	8,949,342	2,465,905

Notes to the Annual Financial Statements

	2019 R	2018 R

25. Employee benefit obligations (continued)

MISA employees belong to a defined benefit plan which is managed by the Government Pension Fund, sufficient information relating relating to MISA employees is not available as the employees are a part of a larger pension fund scheme managed by the Government Fund. Therefore, the defined benefit plan it is disclosed a defined contribution plan as sufficient information is not available to use defined benefit accounting.

26. Actual operating expenditure versus budgeted operating expenditure

26.1 Interest received on the Call Account was not budgeted for hence the positive variance of R4,497,954

26.2 Variance between Approved and Final Budget

Adjustment to the approved budget relates to the following:

- The approved budget was increased by R156,149,495 which was the approved retention of funds from the 2017/2018 financial year
- During the year a budget virement of R11,000,000 was approved for funds to be transfered from contracted services to general expenses.

26.3 Variance between Final Budget and Actual Expenditure:

- Employee related Costs - The overexpenditure relate to the additional young graduates employed in January 2019 additional to staff establishment.
- Contracted services - The underexpenditure mainly relates to RMSC projects as initial spending pattern were lower, however towards the end of the year spending pattern has gradually increased on these projects.
- Depreciation - The useful lives of assets were increased due to the reassessment of assets that was performed at year end. Consequently the actual depreciation expense was less than the budgeted depreciation expense, which did not consider an increase in useful lives
- General Expenses - underspending was mainly due to underexpenditure on training.

27. Fees for members of Audit and Risk Committee

	2019	2018
Mr F Sinthumule: Chairperson	209,982	177,568
Mr E Cousins: External Member	164,559	139,156
Adv RR Dehal: External Member	82,279	117,862
Ms D Dondur: External Member	156,862	31,410
Ms P Mzizi: External Member	138,171	139,156
	751,853	605,152

28. Prior-year error

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Property, Plant and Equipment	7	3,605,518	3,655,172	7,260,690
Intangible assets	8	24,680,907	44,464	24,725,371
Payables from exchange transaction		(39,403,244)	(881,798)	(40,285,042)
		(11,116,819)	2,817,838	(8,298,981)

Statement of finanical performance

Notes to the Annual Financial Statements

	2019 R	2018 R

28. Prior-year error (continued)

2018

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		(6,357,138)	1,358,331	(4,998,807)
Contracted services		(179,846,068)	(881,793)	(180,727,861)
General expenditure		(51,356,524)	(113,392)	(51,469,916)
Surplus for the year		(237,559,730)	363,146	(237,196,584)

Contracted services and Payables from exchange transactions

Additional accruals related to retentions were included in the 2018 accrual listing.

Property, Plant and Equipment and Depreciation and amortisation

On review of the fixed assets register, many assets were fully depreciated to zero value. The assets with zero values were still in use and in good condition. This resulted in a revision in assets values retrospectively. The reassessment of useful lives is normally treated as change in accounting estimate and accounted for prospectively.

The change in accounting estimate was treated as prior period error as per GRAP 17 guideline which states that "an entity that did not appropriately review the useful life, residual values and depreciation method in accordance with GRAP 17 and the asset is fully depreciated, but still being used, this constitutes a prior period error. The error should be corrected and disclosed in accordance with the requirements of GRAP 3 - Accounting policies, changes in accounting estimates and errors."

General expenditure

Due to the assessment of usefull lives, the carrying amount of assets written off also increased, consequently resulting in increased losses on the writting off of the assets.

29. Going concern

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

30. Events after the reporting date

There are no events after the reporting date that affects the financial statements.

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