

MUNICIPAL INFRASTRUCTURE
SUPPORT AGENT (MISA)

ANNUAL REPORT

2019/20 FINANCIAL YEAR



Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA





MUNICIPAL INFRASTRUCTURE
SUPPORT AGENT

Today, Creating a Better Tomorrow

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

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PART A:
GENERAL INFORMATION



1. GENERAL INFORMATION FOR MISA

REGISTERED NAME:	MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
REGISTRATION NUMBER:	N/A
PHYSICAL ADDRESS:	1303 HEUWEL AVENUE LETABA HOUSE CENTURION 0157
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WEBSITE ADDRESS:	www.misa.gov.za
EXTERNAL AUDITORS:	AUDITOR-GENERAL SOUTH AFRICA
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
B2B	Back to Basics
B-BBEE	Broad-based Black Economic Empowerment
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
DDM	District Development Model
DM	District Municipalities
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
FFC	Financial and Fiscal Commission
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 and Analysis
ICT	Information Communication Technology
IIA	International Auditing Standards
IDMS	Infrastructure Delivery Management System
IDMS	Infrastructure Delivery Management Support Programme
IDMSC	Infrastructure Delivery, Maintenance and Stakeholder Coordination subprogramme
IMTT	Inter-Ministerial Task Team on Service Delivery
IDPs	Integrated Development Plans
IT	Information Technology
KZN	Kwazulu-Natal



LGSETA	Local Government Sector Training Education and Training Authority
LGTAS	Local Government Turnaround Strategy
LUMS	Land Use Management Schemes
M&E	Monitoring and Evaluation
MCDPs	Municipal Capacity Development Plans
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
OSD	Occupational Specific Dispensation
PAAP	Post Action Audit Plan
PFMA	Public Finance Management Act
PMDS	Performance Management Development System
PMU	Project Management Unit
PSA	Public Service Act
PSP	Professional Service Providers
QAIP	Quality Assurance Improvement Programme
RMSC	Regional Management Support Contracts
SANRAL	South African National Road Agency Limited
SDF	Spatial Development Framework
SCM	Supply Chain Management
SMS	Senior Management Services
SO	Strategic Objectives
SPULMA	Spatial Planning and Land Use Management Act
TSP	Technical Support Plan
TVET	Technical Vocational Education and Training
WSP	Workplace Skills Plan

3. FOREWORD BY THE MINISTER



As we cast our focus back to the work of the Municipal Infrastructure Support Agent (MISA) in the 2019/20 financial year we are highly satisfied with the level of performance by the agency, particularly in relation to targets set in the annual performance plan for the year. We are also pleased that the agency obtained an unqualified audit without any material findings (clean audit) for the second consecutive year. This annual report presents a performance in relation to the annual performance plan (APP) approved after the inauguration of the Sixth Administration following successful general elections held in May 2019. The approved APP captured some outcomes and targets in the Medium – Term Strategic Framework (MTSF) for the five – year term of the current Administration.

We have continued with our mandate of providing technical support to municipalities using the present capacity at MISA. This capacity includes leverage of multi-disciplinary teams comprising skilled technical professionals and municipal capacity development. These technical teams we deployed in different Districts to support priority municipalities within each space focusing mainly on enhancing

their capacity for infrastructure planning project management, as well as maintenance and refurbishment of existing municipal infrastructure.

The July 2019 Cabinet Lekgotla supported the proposal to strengthen the capacity on MISA to enable effective fulfilment of the expanded role for the agency. The need for expanding the role of MISA was informed by both the increasingly high demand for technical support from municipalities and the need for MISA to assume an implementing role in certain municipalities that lack the necessary internal capacity to deliver and manage infrastructure. We must continue to capacitate MISA to provide support to municipalities with persistent underspending. Part of the capacity building at MISA will be to intensify its support package to assist municipalities to improve spending on Municipal Infrastructure Grant (MIG) in the next financial year.

In the period under review, the agency continued with the implementation of the Regional Management Support Contracts (RMSC) programme in three pilot Districts, i.e Amathole, OR TAMBO and Sekhukhune. One of the key achievements of the Pilot Phase is a set of standard operating procedures and manuals that were shared with other municipalities to replicate best practices across the country. One of the highlights for the year was the assessment of water and infrastructure aimed at determining the state of existing infrastructure with a view to focusing efforts of municipalities towards effective maintenance and refurbishment of such infrastructure.

A key initiative we introduced as CoGTA during the year is the District Development Model (DDM) that seeks to improve integration of government initiatives for improving the performance of municipalities. The launch of the DDM in three district or metropolitan sites was a practical demonstration of meaningful collaboration not only among government agencies but also with private sector stakeholders. Improvement in collaboration within and across the three government spheres, and with the private sector is the key objective of the model. Integrated and collaborative planning and implementation at the district level is critical for accelerated and sustainable implementation of development programme at the local government level.

The coming year is filled with huge challenges and opportunities for MISA as CoGTA will be proceeding with the operationalization of the DDM. This task calls upon MISA to align its operating approach to DDM and to effectively lead the implementation of the municipal infrastructure within the district hubs. Support to municipalities that are still struggling to spend their MIG allocations will remain one of the key priorities for the agency in the next financial year. It is also crucial that MISA drives the mobilization of additional funding for municipal infrastructure development from the private sector financiers as resources within the government are hardly sufficient. More efforts should be directed at initiatives to improve operations and maintenance to address challenges of reliability of municipal infrastructure.

As the country confronts challenges and constraints as a result of the COVID -19 pandemic that is ravaging the entire globe, we urge MISA and all other institutions of government to adapt to the new normal of working to avert disruption of services to the citizens. As government employs various ways of providing of water, especially to more impoverished rural and township communities, water supply is a key element of the government's response plan to minimize the spread of Coronavirus; MISA has a critical role to play in this regard.

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 Deputy Ministers for their unwavering support and invaluable contributions to the process of addressing challenges facing the local government sphere.

NK Zuma

DR NKOSAZANA DLAMINI ZUMA, MP
MINISTER

4. DEPUTY MINISTER STATEMENT



The period under review coincided to some extent with the first year of the Sixth Administration following the 2019 general elections. After the President announced his new Cabinet, the process of finalizing the Medium term Strategic Framework (MTSF) for 2020 – 2024, which is the overarching plan to guide the work of the current Administration over its five year office term, began in earnest. Simultaneously, the Cooperative Governance and Traditional Affairs (CoGTA) Portfolio initiated the District Development Model (DDM). The DDM, which is being championed by CoGTA, is an inter-governmental mechanism for strengthening integrated planning and implementation of developmental programmes within and across all three spheres of Government, including State Owned Entities (SOEs) and in collaboration with key stakeholders in the private sector. The model was born out of the growing realization that fragmented planning with the State immensely contributed to either slow implementation or poor outcomes from programmes implementation. The DDM was launched by the President in three district or metropolitan spaces (OR Tambo DM, eThekweni Metro and Waterberg DM) during the course of the financial year

under review. MISA's role in the DDM is to drive and coordinate the rollout of infrastructure programme within each district space operating within the district hub.

The annual performance plan of the Municipal Infrastructure Support Agency (MISA) incorporated some elements of the MTSF for 2020 – 2024. The plan also included a performance indicator and target relating to the assessment of water and sanitation infrastructure through the Infrastructure Inspectorate as the areas of focus recommended by the Financial and Fiscal Commission (FFC) in its 2019 report. This work is crucial as it seeks to establish the state of municipal infrastructure with the aim of propelling municipalities to focus sufficient efforts towards improving their functionality and reliability. It is clear that the biggest challenge facing municipalities is poorly maintained infrastructure that negatively affects the quality of service provided to communities due to high frequency of breakdowns.

The outbreak of the Coronavirus pandemic towards the end of the financial year under review and subsequent restrictions emanating from the resultant lockdown served only to accentuate the economic disparities within the country. It further exposed the persisting vulnerabilities among the poor communities in townships and rural areas who lack the means to endure the harsh realities wrought by the sudden halt in economic activities. The reality is that the ongoing COVID-19 pandemic will more likely exacerbate the problem of unemployment in the country. It is, therefore, crucial that we accelerate the rollout of government's infrastructure programme to stimulate the economy and create the much needed jobs. Municipalities can effectively contribute to job creation by implementing infrastructure projects more efficiently and by following labour-intensive methods where suitable, without compromising the quality of resulting infrastructure.

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 was made much easier because of unwavering support from the Chief Executive Officer, Director-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 realize the vision of a developmental local government.

A handwritten signature in black ink, appearing to read 'Parks Tau', written over a horizontal line.

PARKS TAU
DEPUTY MINISTER FOR COOPERATIVE GOVERNANCE

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



The Municipal Infrastructure Support Agent's total budget for the 2019/20 financial year was R430 million. This amount includes the surplus amount of R83 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 R344 million. In addition, an amount of R3 million was received from interests on the call account. Total expenditure for the year amounted to R401 million, resulting in a deficit in the statement of financial performance of R54 million. The inclusion of retained funds amounting to R83 million, as mentioned above, resulted in an overall surplus of R29 million for the financial year. The recorded spending represents 93% of the total budget at the disposal of the agency for the financial year under review, which reflects an improvement in spending against the budget in comparison to the previous financial year of 84%.


Spending on the cost of employees of R187 million accounted for 47% of the total expenditure in the year under review. About R142 million was spent on goods and services, representing 35% of the total spending for the year. Operational expenses amounted to R67 million, which constitute 17% of the total annual expenditure. Spending on employee costs increased from R163 million in the previous financial year to R187 million due to the increase in the number of employees as a result of the recruitment drive to fill vacancies on the revised organisational structure. The implementation of the new structure enabled management to reduce the vacancy rate to 24% of the total staff establishment as at the end of March 2020.

MISA achieved performance targets for 19 of the 24 key performance indicators in the approved annual performance plan (APP) for 2019/20, which translates into an overall achievement of 79% for the year under review. This performance reflects a decline in comparison to the achievement of 91% in the previous financial year. All five performance targets that were not achieved during the financial year are under the Technical Support Services programme. The main reasons for not achieving these targets were capacity challenges in certain municipalities that adversely affected project implementation and capital expenditure. Governance challenges in some municipalities caused mainly by political instability also contributed to unfavourable conditions for the implementation of capital projects. The outbreak of the Coronavirus and subsequent declaration of the state of disaster in March 2020 resulted in the suspension of training by TVET colleges, preventing the completion of the enrolment process for 31 municipal officials selected for the Artisan Recognition of Prior Learning (ARPL). This suspension was the reason for non-achievement of the performance target linked to the ARPL programme. The performance targets on Municipal Capacity Development Plans (MCDPs) were not achieved due to the delay in the development of MCDPs for eight municipalities as a result of the contractual dispute lodged by the service provider.

During the period under review, MISA prioritised the filling of two Deputy Director General (DDG) positions that remained vacant since the revised structure was approved in March 2017. This situation created uncertainties within the organisation as the two core programmes were headed by managers appointed on acting capacity over a prolonged period. The position of DDG for Infrastructure Delivery Management Support (IDMS) was filled in January 2020 while the DDG: Technical Support Service position remained vacant as at the end of the financial year. The latter position was re-advertised, and the projected date for concluding the appointment process is the end of the second quarter of 2020/21. The agency also experienced capacity challenges due to high staff turnover among technical professionals, who are usually attracted by better remuneration packages offered by other employers. To address this challenge, management initiated the development of a retention strategy to be finalised and implemented from the next financial year.

MISA successfully applied for the retention of unspent funds amounting to R83 million from the 2018/19 budget. MISA has made significant strides in addressing deficiencies in supply chain management (SCM) identified during the audits previously conducted by both Internal Audit and the Auditor-General. These improvements were possible following the strengthening of human resource capacity within the SCM unit through the filling of vacancies on the approved structure. As a result of these improvements, MISA did not incur new irregular expenditure in the period under review. There is no amount of irregular expenditure in MISA's books. SCM processes and procedures are outlined in the comprehensive SCM Policies that are reviewed annually.

In the 2019/20 financial year, MISA obtained an unqualified audit opinion without material findings (clean audit), which is the same as the previous financial year. The maintenance of this audit outcome was made through management's efforts to effectively implement appropriate measures to further improve the internal control environment during the year under review. All issues raised by the AG in the management report for 2019/20 have been addressed.



Achievements highlighted in this report are duly attributable to the 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. It is also my pleasure to acknowledge the astute 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: 30 SEPTEMBER 2020



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 the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Officer is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully



NTANDAZO G VIMBA
CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
DATE: 30 SEPTEMBER 2020



7. STRATEGIC OVERVIEW

7.1 VISION

Leaders in Municipal Infrastructure Support.

7.2 MISSION

Our mission is to provide integrated municipal infrastructure support services to municipalities through technical expertise and skills development towards the efficient infrastructure delivery systems, processes and procedures.

7.3 VALUES

Guided by the spirit of Batho Pele, our values are:

Integrity
Collaborative
Knowledgeable
Professionalism
Service Excellence

8. LEGISLATIVE AND OTHER MANDATES

8.1 MISA'S MANDATE

MISA is mandated to render technical advice and support to municipalities so that they optimise municipal infrastructure provisioning. 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, operations and management of municipal infrastructure; and
- Performing any function that may be deemed ancillary to those listed above.

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.
Disaster Management Act, 2002 (Act No. 57 of 2002)	To provide for: <ul style="list-style-type: none"> • 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 of 1998)	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.



NAME OF LEGISLATION	MANDATE
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.
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.
Local Government: Cross-Boundary Municipal Act, 29 of 2000	To give effect to section 155(6A) of the Constitution by authorising the provincial executives affected to establish cross-boundary municipalities; to provide for the re-determination of the boundaries of such municipalities under certain circumstances, 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 the 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 2017/18 Annual Performance Plan (APP). MISA's Strategic Plan for 2014 – 2019 (as amended) and APP for 2017/18 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 the 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 infrastructure projects 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.

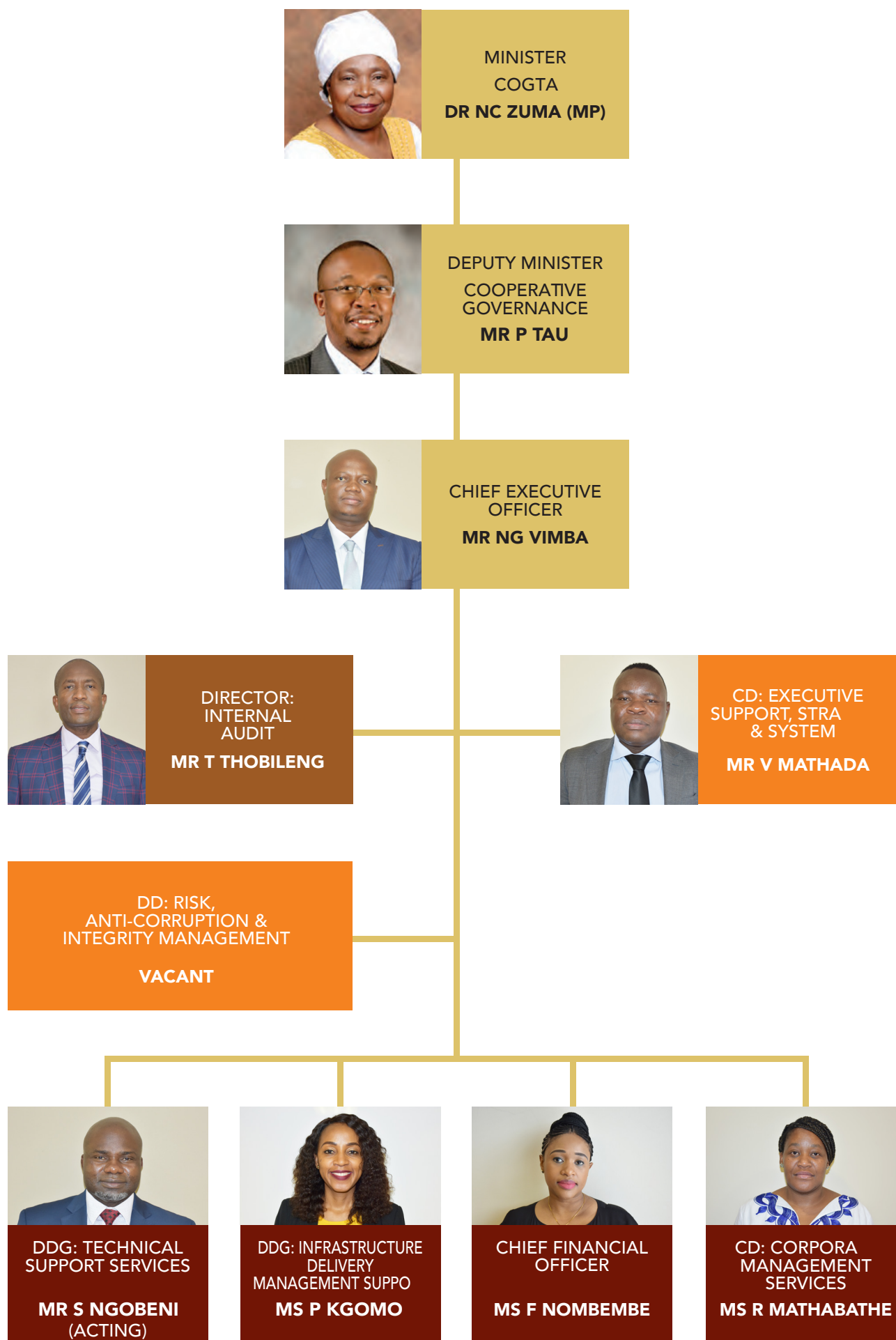
Policy Initiatives

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 the 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 providing technical capacity support to 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 AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to the Auditors Report, published as Part E: Financial Information, for the audit conclusion in relation to performance information.

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 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 classified as 'at risk', since if left unchecked these could lead to a further decline. The bottom third of municipalities are frankly 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 refocused 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 Back to Basics (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 the national level – No service failures; where they occur, ensure they restore them urgently; and
- Coordinating service delivery initiatives of the 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, the 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 will continue 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 will be 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 the 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.

This operating approach is aligned with the District Development Model (DDM) that was initiated by CoGTA during the year under review. The DDM identifies the district or metropolitan space as the platform of integrating planning and implementation of development programmes at local government level. Operating with the auspices of the DDM, MISA has been assigned the responsibility of coordinating efforts of role players involved in the municipal infrastructure value chain to ensure integration of support to local government in infrastructure and service delivery.

During the year under review, MISA witnessed an increase in demand for technical support from municipalities and the persistent underspending on MIG allocations by some municipalities. These two challenges placed pressure on the limited human resource capacity at the agency's disposal. In light of this situation, MISA sought further funding from the National Treasury to expand its capacity. The request for additional funding was not approved, leaving MISA struggling to do more with limited resources. MISA will strive to improve the way it supports municipalities on the implementation of projects funded through MIG allocations to improve spending levels in the next financial year. This requires better collaboration with the MIG unit within DCoG.

2.2 ORGANISATIONAL ENVIRONMENT

MISA completed the process of appointing the Deputy Director General (DDG) for the Infrastructure Delivery Management Support during the third quarter of the financial year under review with the appointee assuming duty in January 2020. Meanwhile, the filling of the DDG: Technical Support Services (TSS) remained vacant due to delays as the position was re-advertised. It is envisaged that the position will be filled by the end of the second quarter of 2020/21 financial year. Due to these delays, the programme was headed by an official appointed in an acting capacity.

Management made significant strides in filling vacancies on the approved staff establishment as reflected in the lower vacancy rate of 24% as at the end of the financial year under review. The agency experienced the challenge of high staff turnover among the technical professionals appointed in terms of the Occupation Specific Dispensation (OSD). The relatively high turnover rate in this employee category is due to the high demand for technically skilled personnel that pushes up remuneration levels in the private sector. To mitigate the risk of instability caused by frequent resignations, management has initiated the development of a staff retention strategy to be finalised and implemented in the next financial year.

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 2019/20. The MTSF was analysed, and issues relevant to the organisation identified, with the amendment of MISA's strategic objectives into five strategic-oriented goals, 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 Outcome Oriented Goal 1

Performance excellence through strategic leadership, sound governance and effective administrative support.

The strengthening of capacity within the administration programme during the 2018/19 financial year has resulted in improvements in both sound governance and internal controls, particularly in relation to SCM processes, planning processes and the usefulness and reliability of performance information. These improvements in governance and internal controls has resulted in MISA receiving a clean audit for the 2018/19 financial year. The maintenance of an effective governance and control environment is key to the achievement of the agency's objectives. Furthermore, MISA will continue to strive to improve spending against the 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 three goals under this programme is presented below and an outline of progress towards the achievement of each.

Strategic Outcome Oriented Goal 2

Municipal infrastructure planning support

MISA provided support to 87 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 a 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. In addition to the jointly developed TSP with municipalities, MISA has supported 30 municipalities with the development and implementation of SPLUMA compliant plans (Land Use Management Schemes (LUMS), Spatial Development Frameworks (SDF's), Integrated Development Plans (IDP's), etc.). MISA also supported a further 20 municipalities in the development and implementation of Sector Plans (Energy, Water and Demand Management Plans, Operations and Maintenance Plans).

Strategic Outcome Oriented Goal 3

Municipal infrastructure functionality support

The implementation of the Regional Management Support Contracts (RMSC) programme has continued to gain momentum during the period under review, with the implementation of this programme continuing in the three pilot districts in the course of 2020/21. MISA was able to complete the assessment of water and sanitation services infrastructure in 10 municipalities with a view to determining their level of functionality and advising on appropriate measures to optimise their performance. This assessment culminated in the report card covering selected municipalities in Eastern Cape (EC), Limpopo (LP), Kwazulu Natal (KZN) and North West (NW). More district municipalities will be targeted for municipal infrastructure assessment support in the coming year.

Strategic Outcome Oriented Goal 4

Municipal infrastructure capacity building

The Technical Skills sub-programme focusses mainly on the implementation of learning programmes in collaboration with municipalities that host learners enrolled by MISA for experiential training and short courses training for municipal officials. MISA provided bursaries to 132 students during the year which seeks to contribute to MISA's creation of a pipeline of scarce skills through its 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 despite the fact that most municipalities continue to experience high shortages of skilled personnel to perform functions related to infrastructure delivery and management. MISA also provided training to 291 municipal officials on various technical skills training programmes.

During the year under review, MISA facilitated the implementation of Municipal Capacity Development Plans (MCDPs) in seven municipalities where these plans have been approved, with a view to ensuring that these seven municipalities have a systematic and coordinated approach towards improving internal technical capacity. MISA's efforts to complete the development of MCDPs in eight additional municipalities were hampered by a prolonged dispute lodged by the contracted service provider. Although the MCDPs remained in draft format as at the end of the financial year, some elements of the plans were implemented by municipalities with support from MISA.

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 Outcome Oriented Goal 5
Municipal infrastructure delivery management support

The continuous focus of the Infrastructure Delivery Management Support (IDMS) programme during the year under review was to roll out a program on the government endorsed infrastructure delivery framework, which is the Infrastructure Delivery Management System in three district municipalities (viz. Alfred Ndzo, Amathole and OR Tambo) in the Eastern Cape. The roll out of this programme was done through providing theoretical and hands-on training support and stakeholder management. The program was intended to ensure that municipalities adopts the Infrastructure Delivery Management System and institutionalize the framework. The Infrastructure Delivery Management System Maturity Assessment was done at the beginning and end of the program and the results were encouraging and there has been improvement in terms of understanding the framework by municipal officials. There is still a lot to be done in terms of aligning municipal infrastructure processes to the Infrastructure Delivery Management System. Furthermore, IDMS also supported 58 municipalities on implementation of framework contracts in order to expedite infrastructure procurement in municipalities to ensure that infrastructure projects are implemented on time through capable contractors.

MISA also conducted feasibility studies including the socio-economic profiles and cost modelling on the identified Water Services Authorities experiencing misalignment of bulk water and reticulation infrastructure to assess the feasibility of projects intended to address identified misalignment.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: ADMINISTRATION

Purpose: The Administration Programme ensures effective leadership, strategic management and administrative support to the Municipal Infrastructure Support Agent in line with applicable legislation and best practice.

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


3.1.1. Sub-programme: Executive Support, Strategy and Systems

Executive Support, Strategy and Systems sub-programme reports directly to the Chief Executive Officer (CEO) and provides strategic management support to the organisation. It consists of the following functions:

Strategic Management, Monitoring and Evaluation facilitate the formulation of strategic plan and annual performance plan. It is also responsible for institutional performance assessment and for conducting programme evaluation.

Executive Support provides executive support services to the Chief Executive Officer and management. It also provides administrative and secretariat support to the agency's management and oversight structures, including the Audit Committee.

Government Information and Communication Technology (GICTM) performs information communication technology business enablement and governance services. It is also responsible for information and knowledge management function.



Internal Audit Services reports to the Chief Executive Officer for administrative purposes and functionally to the Audit Committee. It facilitates the performance of internal and forensic audits. It also provides technical support to the Audit Committee.

Risk, Anti-corruption and Integrity sub-directorate is responsible for managing the provision of organisational risks and integrity management, and anti-corruption services. The sub-directorate reports directly to the Chief Executive Officer and is separate from Internal Audit Services.

3.1.2 Sub-programme: Corporate Management Services

Corporate Management Services sub programme reports directly to the Chief Executive Officer and provides administrative support to the entire organisation. It consists of the following functions:

Human Resource Management and Development provides the human resource administration and development services. It is also responsible for labour relations and employee wellness services within the organisation.

Legal Services provides legal advice to the organisation, litigation support and ensures compliance with the national and international laws. It also assists the organisation with the drafting and monitoring of service level agreements between MISA and external parties.

Security and Facilities Management Services is responsible for ensuring that the both staff and other resources within the organisation are protected and that the work environment is conducive for productive performance. Communications is responsible for managing the provision of communication services within the organisation. It provides both internal and external communication services, media liaison support, public liaison, events management, publication and photo journalism support, as well as developing and maintaining the departmental website.

3.1.3 Sub-programme: Financial Management Services

Financial Management Services manages and facilitate the provision of financial management services and reports to the Chief Executive Officer. It consists of the following functions:

Financial Accounting and Administration develops and oversee the implementation of financial administration and accounting policies, processes and systems. Its main aim is to ensure that the financial resources allocated to the agency are optimally utilised.

Management Accounting provides guidance on the preparation of budgets and monitors the expenditure trends in an ongoing basis.

Supply Chain and Asset Management facilitates the development and monitors the implementation of supply chain management policies, processes and systems. It also provides procurement and asset management support within the organisation.

Internal Control and Compliance facilitates the development and implementation of an internal control system to improve governance and compliance with applicable regulations, internal policies, processes and procedures. It is also responsible for fraud prevention and loss management.

PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
Strategic Objective 1.1: Improve organisational performance and corporate image through strategic leadership and effective oversight					
1.1.1 Implementation of an approved communication strategy	New Indicator	Approved communication strategy implemented	Achieved Approved communication strategy implemented	N/A	N/A
Strategic Objective 1.2: Provide effective and efficient administrative support and maintain a sound governance and internal control system					
1.2.1 Risk Management Plan implemented	4 risk monitoring reports were submitted to the Audit Committee	Annual risk management plan implemented	Achieved Annual risk management plan implemented	N/A	N/A
1.2.2 Internal audit plan against the annual audit coverage plan implemented	4 internal audit reports produced and submitted to the Audit Committee	Annual internal audit plan implemented	Achieved Annual internal audit plan implemented	N/A	N/A
1.2.3 Implementation of approved ICT Operational Plan	ICT operational plan was approved by 30 April 2018 and quarterly progress reports developed on its implementation reports developed on its implementation	Approved ICT operational plan implemented	Achieved Approved ICT operational plan implemented	N/A	N/A
1.2.4 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	Achieved Unqualified audit opinion without material findings (clean audit) on annual financial statements for the 2018/19 financial year.	N/A	N/A
1.2.5 Implementation of approved procurement plan	Procurement plan was approved and submitted to National Treasury as per the stipulated timeframes.	Approved procurement plan implemented	Achieved Procurement plan approved and implemented.	N/A	N/A

Strategy to Overcome Areas of Under Performance

Annual performance targets for all key performance indicators under the Administration Programme were achieved. Accordingly, it is not necessary to devise a strategy to overcome under performance.

Changes to Planned Targets

In March 2019, the Department of Planning, Monitoring and Evaluation (DPME) issued a letter to accounting officers of departments and government components regarding the interim arrangements towards the tabling of the 2019/20 annual performance plans (APPs) in Parliament. In terms of this letter, all departments and government components were directed to finalise their 2019/20 annual performance plans (APPs) and get them signed off by the respective accounting officer and Executive Authority before 31 March 2019. The letter indicated that each institution should commence with the implementation of the approved APP without tabling in Parliament. The stated reason for delaying the tabling of APPs for 2019/20 in Parliament was that departments would be required to table their APPs after the general elections that were scheduled for May 2019.

Following the general elections and the inauguration of the new Administration, MISA embarked on the review of its APP under the guidance of the new Executive Authority prior to tabling the plan in Parliament as directed by the DPME. The review process resulted in the addition of one performance indicator under the Administration Programme in the revised APP tabled in Parliament during the financial year. The additional indicator included in the tabled APP is 1.2.4 (Unqualified audit opinion on the annual financial statements).

Linking Performance with Budget

Programme	2019/20			2018/19		
	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	94 421	90 018	4 403	98 869	98 847	22

The biggest proportion of the budget allocated for goods and services under the Administration Programme covered the costs of services provided to the agency in relation to Facilities Management, Internal Audit and ICT functions. Spending on the budget allocated for these services was relatively good with only about 5% of the allocated budget remaining unspent as at the end of the financial year. This spending contributed to the achievement of all the performance targets under the Administration branch. The level of spending over the entire financial year for the programme stood at about 95% as at 31 March 2020.

3.2 PROGRAMME 2: TECHNICAL SUPPORT SERVICES

Purpose: The purpose of Technical Support Services programme seeks to enhance the capabilities of municipalities for improved municipal infrastructure planning, delivery, operations and maintenance. Its main focus is to manage the provision of technical support and capabilities to enhance the management of municipal infrastructure support programmes by:

- providing assistance to selected municipalities in conducting infrastructure assessment and analysis;
- providing technical support and expertise to enable the delivery, planning, maintenance and land use management services in collaboration with relevant stakeholders; and
- coordinating the development of technical skills to support the delivery of municipal infrastructure programmes.

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

The Programme consists of the following sub-programmes:

3.2.1 Sub-programme: Infrastructure Assessment and Analysis

The primary aim of the sub-programme is to lay a sound basis for establishing the support requirements for each of the selected municipalities. This determination is based on the outcome of the assessment of infrastructure assets condition, review of infrastructure maintenance budgets and expenditure trends and assessment of backlogs and access to basic service, among other focus areas. This assessment allows MISA to design support and intervention plans that appropriately respond to the predetermined needs for each targeted municipality.

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

The sub-programme provides technical support to municipalities based on the needs identified during the assessment and analysis stage. It also provides support to municipalities in relation to planning for land use management and spatial development frameworks. Furthermore, the IDMSC is responsible for coordinating other role-players such as sector departments, state-owned companies and provincial government towards the integrated delivery of municipal infrastructure.

3.2.3 Sub-programme: Technical Skills

The main role of this sub-programme is to strengthen the capacity within municipalities for planning, delivery and maintenance of municipal infrastructure. This is achieved by facilitating workplace opportunities in municipalities for graduates, apprentices and learners in technical disciplines and technical training for municipal officials. It further support municipalities in the recruitment of qualified technical personnel and mentoring of learners placed in municipalities for workplace learning.



PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
Strategic Objective 2.1: Effective sector and strategic planning for municipal infrastructure management.					
2.1.1 Number of Municipal technical support plans developed and implemented to improve infrastructure planning, delivery, operations and maintenance.	81 municipal technical support plans developed and implemented.	87 Municipal technical support plans developed and implemented to improve infrastructure planning, delivery, operations and maintenance.	Achieved 87 Municipal technical support plans developed and implemented to improve infrastructure planning, delivery, operations and maintenance.	N/A	N/A
2.1.2 Number of municipalities supported through District Support Teams to improve spending on MIG grant	New Indicator	87 municipalities supported through District Support Teams to improve spending on MIG grant	Not Achieved Only 14 of the 87 municipalities supported through District Support Teams achieved at least 70% spending on their MIG allocations as at the end of March 2020.	- 73	Incapacity, at municipal level, associated with project preparation and procurement of service providers affected implementation and expenditure on capital projects. Governance challenges, because of political instability, in certain municipalities created unfavourable conditions for implementation of capital projects.
2.1.3 Number of municipalities supported with the development and implementation of SPLUMA compliant plans (Land Use Management Schemes)	2 Town and regional planning sector plans developed	30 municipalities supported with the development and implementation of SPLUMA compliant plans (Land Use Management Schemes (LUMS), SDFs, IDPs, By-Laws, NSDF) and IUDE	Achieved 30 municipalities supported with the development and implementation of SPLUMA compliant plans (Land Use Management Schemes (LUMS), SDFs, IDPs, By-Laws, NSDF) and IUDE.	N/A	N/A

PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
(LUMS), SDFs, IDPs, By-Laws, NSDF), IUDF and alignment with Social Labour Plans (SLPs) with IDPs.					
	New Indicator	Development and approval of the Framework for alignment of Social Labour Plans with IDP Plans with IDP	Achieved Framework for alignment of Social Labour Plans with IDP developed and approved.	N/A	N/A
2.1.4 Number of municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	2 municipal infrastructure sector plans and 10 municipal water conservation and demand management plans developed	20 municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	Achieved 20 municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	N/A	N/A
Strategic Objective 3.1: Municipal infrastructure assets assessment, analyses and research conducted					
3.1.1 Number of municipalities supported annually through the Regional Management Support Programme	3 municipalities were supported through the MISA Regional Management Support Programme	3 Municipalities supported (OR Tambo DM, Sekhukhune DM and Amathole DM) annually through the Regional Management Support Programme	Achieved Three (3) District Municipalities supported on Phase 3 (Implementation Phase) of the RMSC Programme	N/A	N/A

PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
3.1.2	Number of district municipalities supported through the inspectorate to assess functionality of water and sanitation infrastructure.	18 Districts Municipalities supported through the inspectorate to assess functionality of water and sanitation infrastructure	Not Achieved 10 of 18 targeted district municipalities were supported with water and sanitation infrastructure functionality assessments	-8	Assessments in 8 municipalities were suspended following the outbreak of the Coronavirus pandemic. The suspension of assessments was a precautionary measure aimed at safeguarding the health of MISA engineers and Young Graduates who constituted the assessment teams.
Strategic Objective 4.1: Ensure technical capacity building in municipalities					
4.1.1	Number of learners enrolled in MISA Apprenticeship Programme	230 Learners enrolled into the MISA Apprenticeship Programme	Not Achieved 134 Learners enrolled into the MISA Apprenticeship Programme	-96	The opening balance at the beginning of the financial year was 134 and the process of enrolling additional 100 Apprentices to meet the target was conducted but not concluded due to a very high number of applications received and subsequent delays in verifying the qualifications of recommended candidates through the relevant authorities.
4.1.2	Number of learners enrolled in MISA Experiential Learnership Programme	70 Learners enrolled in MISA Experiential Learnership Programme	Achieved 75 Learners enrolled in MISA Experiential Learnership Programme	+5	The set annual target (70) was a projected balance (taking into consideration attrition) of enrolled Experiential Learners as at 31st March 2019). Extension of some contracts resulted in a closing balance of 75, which became the opening balance for the financial year under review.

PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
4.1.3 Number of candidates enrolled in MISA Young Graduates Programme	159 Graduates enrolled in the MISA Young Graduate Programme	135 Candidates enrolled into MISA Young Graduates programme	Achieved 137 Candidates enrolled into MISA Young Graduates programme	+2	The set annual target (135) was a projected balance of enrolled Young Graduates, taking into consideration attrition, as at 31st March 2019. The closing balance (137) became the opening balance for the financial year under review.
4.1.4 Number of municipal officials provided with technical skills training	610 municipal officials provided with technical skills training	250 Municipal officials provided with technical skills training	Achieved 291 municipal officials provided with technical skills training	+41	The need to respond to requests for technical training courses resulted in more municipal officials trained. A variation order was approved to make funds available for additional training courses. 34 non-municipal officials (MISA and provincial officials) were trained to enhance municipal capacity building by provinces.
4.1.5 Number of municipal officials (section 28 apprentices) enrolled in MISA artisan recognition of prior learning (ARPL) programme	66 municipal general workers (Section 28 apprentices) enrolled in the MISA ARPL Programme	80 Municipal officials (section 28 apprentices) enrolled in MISA Artisan recognition of prior learning (ARPL) programme	Not Achieved 49 municipal officials enrolled in the MISA ARPL programme.	-31	Enrolment delayed pending approval of assessment tools by the Department of Higher Education and Training. Subsequent assessments scheduled for later in the financial year were also cancelled, because of the COVID-19 pandemic.
4.1.6 Number of students provided with bursaries for studies in technical professions	157 students were enrolled in the bursary programme for studies in technical professions	80 Students provided with bursaries for studies in technical professions	Achieved 132 students provided with bursaries for studies in technical professions.	+52	The Bursary Programme had an opening balance of 82 bursars from the prior year. 50 additional bursaries were awarded for the 2020 academic year after concluding a co-funding agreement with LGSETA.

PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
4.1.7 Number of municipalities supported with compilation and implementation of capacity development plans	7 Municipal Capacity Development Plans was developed and approved	15 Municipalities supported with compilation and implementation of capacity development plans	Not Achieved Draft capacity development plans for 8 municipalities finalised and MCDP implementation progress reports for seven municipalities compiled.	-8	A dispute lodged by the contracted service provider resulted in the compilation of eight (8) MCDPs not finalized.



Strategy to Overcome Areas of Under Performance

MISA will in addition to the development of acceleration plans for supporting municipalities underperforming in respect to MIG spending, also assist municipalities with project preparation and procurement of infrastructure projects. MIG Reprioritization process, where MISA engineers are providing support in the business case development and appraisal of projects has been activated to redirect the balance of funds that are at risk of not being spent, to respond to COVID-19 interventions and this strategy will expedite MIG expenditure towards the required target of 90% by end of June 2020. MISA Framework contracts will be recommended for use by municipalities to speed up their procurement processes. To address challenges in governance, municipalities will be receiving support from CoGTA in conjunction with SALGA to improve governance and financial management performance by Councils.

In terms of the municipal infrastructure assessments, MISA will in collaboration with KZN CoGTA, appoint professional service providers to conduct the municipal infrastructure assessments in the identified district municipalities. Assessments will continue in 2020-2021 financial year, initially in districts with lower risk of Covid-19.

The newly recruited 100 Apprentices will be enrolled in the MISA Apprenticeship Programme during the 2020/21 financial year, once the verification process is concluded. The training of Artisan Recognition of Prior Learning (ARPL) candidates enrolled in 2019/20 shall continue in the next financial year. The process of finalising the eight (8) outstanding Municipal Capacity Development Plans will be finalised in the 2020/21 financial year.

Changes to Planned Targets

The revised APP tabled in Parliament during the course of the year included the following amendments to performance indicators under the Technical Support Services (TSS) Programme in comparison to the first APP signed off by the Executive Authority but not tabled in Parliament:

- Indicators 2.1.1 (Number of Municipal technical support plans developed) and 2.1.2 (Number of Municipal technical support plans implemented) in the first APP were merged into one indicator. The single indicator resulting from this merger is indicator 2.1.1 (Number of Municipal technical support plans developed and implemented to improve infrastructure planning, delivery, operations and maintenance), as reflected in the revised and tabled APP.
- Indicator 2.1.3 (Number of infrastructure projects implemented in selected municipalities) was discontinued and not included in the revised APP.
- Indicator 2.1.2 was rephrased to read as follows: 'Number of municipalities supported through District Support Teams to improve spending on MIG grant'.
- Number of municipalities supported with the development and implementation of SPLUMA compliant plans (Land Use Management Schemes (LUMS), SDFs, IDPs, By-Laws, NSDF), IUDF and alignment with Social Labour Plans (SLPs) with IDPs were added as Indicator 2.1.3 in the tabled APP.
- Indicator 2.1.4 (Number of municipal IDP prescribed sector plans developed) was rephrased to read: 'Number of municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans)'. The annual performance target for this indicator was also increased from 10 sector plans in the first APP to 20 sector plans in the revised plan.
- Indicator 3.1.1 (Number of municipal infrastructure condition assessments conducted) was discontinued and excluded from the revised APP.
- Indicator 3.1.2 (Number of municipal infrastructure report cards developed) in the sign off APP were rephrased to read as 'Number of district municipalities supported through the inspectorate to assess functionality of water and sanitation infrastructure' in the tabled APP. The annual performance target for the indicator was also increased from One (1) Municipal infrastructure report card to 18 Municipal infrastructure report cards in the tabled APP.
- The annual performance target for indicator 4.1.1 (Number of learners enrolled in MISA Apprenticeship Programme) was increased from 110 apprentices to 230 apprentices in the tabled APP.
- The annual target for indicator 4.1.3 (Number of candidates enrolled in MISA Young Graduates Programme) was reduced from 150 young graduates to 135 young graduates.
- The annual target for indicator 4.1.6 (Number of students provided with bursaries for studies in technical professions) was increased from 65 students to 80 students.
- The annual target for indicator 4.1.7 (Number of municipalities supported with compilation and implementation of capacity development plans) was increased from 7 municipalities to 15 municipalities.
- Indicator 4.1.8 (Number of qualified artisans seconded in municipalities) was discontinued and excluded from the tabled APP.

Linking Performance with Budget

	2019/20			2018/19		
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	290 912	269 356	21 556	369 443	296 084	73 359

Performance targets for four indicators in the annual performance plan were not achieved in the year under review. The underspending under the TSS programme, especially against ring-fenced allocation for the RMSC, was high. The level of spending on this programme over the entire financial year stood at about 93% as at 31 March 2020.

3.3 PROGRAMME 3: INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT

Purpose: The purpose of the Infrastructure Delivery Management Support (IDMS) Support programme is to provide support to municipalities in the implementation of infrastructure projects, as well as operations and maintenance of existing infrastructure.

Programme Overview: 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 framework contracts for municipal infrastructure goods and services.

The Programme consists of the following sub-programmes:

3.3.1 Sub-programme: Project Management

The sub-programme is responsible for coordinating the provision of technical support to municipalities in respect of project management, infrastructure procurement and contract management processes.

3.3.2 Sub-programme: Framework Contracts and Infrastructure Procurement

The sub-programmes focusses on the development and implementation of national framework contracts for procuring municipal infrastructure goods and services. It also focusses on managing the development of municipal infrastructure strategies and systems. The support to municipalities in relation to procurement entails the building of institutional capabilities in municipalities to ensure efficient procurement of municipal infrastructure goods and services.

3.3.3 Sub-programme: Infrastructure Financing

The sub-programme facilitates the exploitation of alternative and innovative mechanisms for financing municipal infrastructure and the management of Municipal Infrastructure Grant (MIG) programme. The MIG programme is currently managed by the Department of Cooperative Governance (DCOG) but is provided for under MISA organizational structure in anticipation of the planned transfer of the programme to MISA.

PERFORMANCE INDICATORS

Programme Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
Strategic Objective 5.1: Ensure Municipal infrastructure development and project implementation support to targeted municipalities					
5.1.1	Functional PMO established with approved methodologies, standards and procedures.	New Indicator	Functional PMO with methodologies, standards and procedures developed and approved.	N/A	N/A
5.1.2	Number of municipalities supported in implementing National Treasury IDMS and Framework Contracts	3 municipalities supported to implement National Treasury IDMS through the undertaking of training.	Achieved Close-out report on three (3) municipalities supported to implement National Treasury IDMS compiled.	N/A	N/A
		7 frameworks contracts for municipal infrastructure goods and services concluded	Achieved Report on 58 municipalities supported on the implementation of framework contracts compiled.	+43	MISA continued with its changed strategy adopted to provide training in provincial fora/ meetings that municipalities participated in.
5.1.3	Number of feasibility studies conducted to address misalignment of bulk water and reticulation in identified Water Services Authorities	5 Draft Feasibility studies reports completed to address misalignment of bulk water and reticulation in identified Water Services Authorities	Achieved 5 Final feasibility studies reports compiled and approved.	N/A	N/A

Strategy to Overcome Areas of Under Performance

N/A

Changes to Planned Targets

The revised APP tabled in Parliament during the course of the year included the following amendments to performance indicators under the Infrastructure Delivery Management Support (IDMS) Programme in comparison to the first APP signed off by the Executive Authority but not tabled in Parliament:

- Indicator 5.1.2 (Number of municipalities supported in implementing National Treasury IDMS) and Indicator 5.1.4 (Number of municipalities supported in implementing Framework Contracts) were merged in the revised APP as tabled in Parliament. The merged indicator appeared as 5.1.2 (Number of municipalities supported in implementing National Treasury IDMS and Framework Contracts) in the tabled APP. The annual target for framework contracts was also increased from 5 municipalities to 15 municipalities supported in implementing framework contracts in the updated APP.

Linking Performance with Budget

	2019/20			2018/19		
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
IDMS	42 380	41 938	442	30 299	25 265	5 034

Capacity constraints still exist within this programme, with the filling of vacancies within the Project Management Office and Infrastructure Financing sub programme planned for 2020/21 financial year. The overall level of spending of budget allocated to the IDMS Programme for the year was 99% as at 31 March 2020.

4. REVENUE COLLECTION

Sources of Revenue	2019/20			2018/19		
	Estimate	Actual Amount Collected	(Over) /Under Collection	Estimate	Actual Amount Collected	(Over)/Under Expenditure
	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	-	3 381	-	-	4 948	-
Total	-	3 381	-	-	4 948	-

Capital Investment

During the year under review MISA did not implement any capital projects. 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.



PART C:
GOVERNANCE

1. INTRODUCTION

As a ring-fenced government component, the Municipal Infrastructure Support Agent (MISA) is directly accountable to the Minister of Cooperative Governance and Traditional Affairs (CoGTA). The Minister in turn account to Parliament as the ultimate oversight body over the work of the Executive in government. Over the past three years, MISA has progressively established robust governance and accountability framework that has to enable the entity to persistently comply with relevant legislation, effectively managed key risks and improved its overall performance. Sound governance is maintained by conducting the entity's businesses in line with internal policies, consistent implementation of internal control mechanisms, promoting ethical behaviour, enforcing the Code of Conduct and reinforcing a culture of high performance among employees.

Various assurance structures have been put in place to draw management's attention to internal control weaknesses and emerging risks that might hamper the achievement of objectives. Two key assurance providers are Internal Audit and the Audit Committee. Internal audit contributes maintenance of sound governance by conducting reviews on various operational areas within the entity. The Audit Committee performs an oversight role in line with the adopted Charter.

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
Portfolio Committee on Cooperative Governance	21 August 2020	MISA's Quarterly Financial Statements for the First Quarter of 2019/20	High vacancy rate	MISA continued with the recruitment process in the remainder of the year that reduced the vacancy rate to 24% as at the end of March 2020.
Portfolio Committee on Cooperative Governance	27 August 2020	Overview of the Municipal Infrastructure Support Agent – CoGTA Portfolio Committee Strategic Planning.	N/a	N/a
Portfolio Committee on Cooperative Governance and Traditional Affairs	08 October 2019	Briefing on MISA Annual Report for 2018/19	Non-achievement of performance targets in relation to some key performance indicators under the core programmes.	MISA sought to address this under through the implementation of appropriate recovery actions and monitoring of such actions on a quarterly basis.
Portfolio Committee on Cooperative Governance and Traditional Affairs	06 November 2019	VIP Toilets in the Northern Cape and Eastern		MISA provided all documents relating to the VIP toilets tender as requested by the Committee at the meeting.

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

3. EXECUTIVE AUTHORITY

REPORT SUBMITTED	DATE OF SUBMISSION	COMMENTS BY THE EXECUTIVE AUTHORITY	ACTION TAKEN
First Quarter 2019/20 Performance Report	30 July 2019	N/a	N/a
Second Quarter 2019/20 Performance Report	31 October 2019	N/a	N/a
Annual Report for 2018/19	19 September 2020	N/a	N/a
Third Quarter 2019/20 Performance Report	29 January 2020	The Minister requested for an explanation on the reported overspending of R12 million on contracted services.	Management provided an explanation on the reason incurring overspending in relation to contracted services item in the third quarter of the year. It was reported that the reason for overspending was expense time caused by faster implementation of planned projects and that expenditure would be in line with budget at the end of financial year.
Strategic Plan for 2020-2025 and Annual Performance Plan for 2020/21	09 March 2020	N/a	N/a
Fourth Quarter 2019/20 Performance Report	21 May 2020	N/a	N/a

4. THE ACCOUNTING AUTHORITY / BOARD


During the period under review, MISA continued to operate without an Advisory Board as provided for in terms of section 7A4(e) of the Public Service Act (PSA). In terms of this provision, the appointment of an Advisory Board for a government component is not obligatory but can be done at the discretion of the relevant Executive Authority. The option of appointing an Advisory Board for MISA has not been exercised since its establishment. In the event that the Minister opts to appoint an Advisory Board for the entity in the future, its role will be to advise both the Executive Authority and the Chief Executive Officer (CEO) on matters relating to the delivery of municipal infrastructure since the Act does not grant any executive authority to the Advisory.

5. RISK MANAGEMENT

The Risk Management Policy and Strategy for MISA has been reviewed and 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 2019/20 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 chaired by an external member. 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 timely mitigation of risks is implemented to improve organisational performance. 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 reasonable improvement in addressing identified risks, which led to the improved control environment in the last two quarters 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. During the period under review, a combined assurance report was prepared and reviewed by the Combined Assurance Committee and assented by the Committee with room for improvements.

Better co-ordination of assurance providers' activities which in turn help the organisation:

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

To this end it enables the Audit Committee with a much better basis for exercising its oversight

6. INTERNAL CONTROL UNIT

The Internal Control unit has performed the following activities during the financial year under review:

- Developed and monitored the implementation of actions to address control deficiencies identified during the audit by both Internal Audit and the Auditor-General.
- Reviewed payment batches, quotation batches, bids files for accuracy, completeness and checked compliance with applicable policies and procedures across the organisation to ensure that the department maintains an effective, efficient and transparent internal control system.
- Reviewed the information requested by the Auditor-General (AG) and Internal Audit before submission to the auditors to ensure completeness, reliability and accuracy.
- Reviewed MISA Policies to determine whether it makes provision for regular reviews and whether it is done as stated.
- Kept the accurate register for MISA policies and report to the Audit Committee every quarter about the status of policies.
- Monitoring, review and reporting of unauthorised, irregular, fruitless and wasteful expenditure to the Accounting Officer and National Treasury.
- Provided advice to other units within the entity regarding matters related to audit findings and internal controls.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

7.1 KEY ACTIVITIES AND OBJECTIVES OF INTERNAL AUDIT

The Internal Audit obtains its mandate from the Public Finance Management Act (PFMA), Act No1 of 1999. It is directly accountable (administratively) to the Accounting Officer and shall report functionally to the Audit Committee. The Unit must prepare in consultation with and for approval by the audit committee:

- Internal Audit worked as an independent, objective assurance and a consulting unit designed to add value and improve the entity's operations. It helps 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.
- Develop and implement a rolling three-year strategic and the annual coverage plans based on the risk assessment conduct by the entity.
- Execute the audits as per the approved internal audit plan.
- Report to the audit committee on progress made against the approved audit plan to allow effective monitoring and intervention when necessary.
- During the period under review, the 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 2019/20 financial year was conducted in accordance with the IIA standards and the Internal Audit Methodology on the selected audit files and presented to the Audit Committee for noting. Progress on the assessment is reviewed by the Committee on a quarterly basis and the Internal Audit Activity complied with the IIA code of ethics and standards. This will assist the unit in preparation for the external assessment to be conducted every five years.

7.2 SUMMARY OF AUDIT WORK DONE

Basis of Assessment

Internal Audit Unit is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all 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 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 2019/20 financial year was conducted in accordance with the IIA standards and the Internal Audit methodology. Progress on the assessment is reviewed by the Committee on the quarterly basis and the Internal Audit Activity complied with the IIA code of ethics and Standards. This will assist the unit in preparation for the external assessment to be conducted every five years. 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 strategic and operational coverage plan that encompassed the following areas:

AUDITABLE AREA	ASSESSMENT BY INTERNAL AUDIT
1. Review of Bi-annual/Annual Financial Statements	Need Improvements
2. Review of Performance Information (Pre-determined Objectives) quarterly	Need Improvements
3. Review of IDMSC business processes	Need Improvements
4. Review of SCM processes (procurement and verification of irregular expenditure)	Need Improvements
5. Review of Accounts payables including payment made to suppliers within 30 days	Need Improvements
6. Review of Framework Contract business processes	Need Improvements
7. Verification of Post Audit Action Plan (PAAP) quarterly	Need Improvements
8. Review of Budget processes	Good
9. Review of Telephone Management	Need Improvements
10. Review of Technical capacity and technical skills and infrastructure process in municipalities	Need Improvements
11. Review of Leave Management processes	Need Improvements
12. Review of Bursaries, training and development and PMDS processes.	Good
13. Review of Human resource Management, including appointment, termination, transfers and service benefits	Need Improvements
14. Review of IT Security process (Cyber)	Need Improvements
15. Review of Technical Skills business processes	Need Improvements

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.	Unlikely	The system of internal controls is adequate and effective to provide reasonable assurance that the business objectives will be met.
Needs improvement	Audit objectives are met. However, there are incidents noted that require correction. Therefore, the system of internal control is generally adequate and effective, with the need for improvement.	Likely	Except for incidents noted that need to be corrected, the system of internal control is generally adequate and effective to provide reasonable assurance that the business objectives will be met. These incidents are likely to expose the organisation to a medium/low risk.
Weak	Audit objectives are not met and the system of internal controls is inadequate ineffective	Highly Likely	Because of the total breakdown of controls and/ or the absence of a system of internal control, business objectives will not be met. These incidents are likely to expose the organisation to a high risk.

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 with responsibilities allocated in line with the approved Governance Framework. Structures largely exercise their oversight roles with areas of 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 management framework is in place which led to the culmination of the Risk Management policy and strategy in guiding the institution to implement and maintain effective, efficient and transparent system of risk management and control. Risk Management structure is formalised which is led by the external Chairperson. Strategic and operational risk workshops have been undertaken and the risk registers are in place and monitored regularly. The entity is in the process of appointing a permanent skilled risk manager to oversee the entire risk management.

Internal Controls -

The audit reviews undertaken in 2019/20 generally show that the system of internal control is generally adequate and effective, with the need for improvement 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.

7.3 KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT COMMITTEE


The committee performs its activities in line with the approved charter. The committee performs its role by providing independent oversight, monitoring and advisory services to management and the Executive Authority. The primary objectives of the Audit Committee is to advise the Executive Authority, the Accounting Officer and management in the effective discharge of their responsibilities with regard to risk management, control and governance.

7.4 AUDIT COMMITTEE MEETINGS BY COMMITTEE MEMBERS

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 2020. During the period under review, the contract of two members expired on the 31 July 2019 for Mr E Cousins and Adv RR Dehal.

The table below discloses relevant information on the Audit Committee members and Committee meetings during the financial year under review:

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.	Contract expired 31 July 2019	2
Adv RR Dehal	Advocate of the High Court of South Africa, BProc, LLB	External Member	Member appointed on 22 July 2013.	Contract expired 31 July 2019	2
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



NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
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	5
Ms N Lubanga	Nat Dip: Internal Audit, BCom Internal Auditing	External Member	Member appointed on 01 July 2020	N/A	N/A
Mr LL Makibinyane	Bachelor of Engineering (Hons), Post Graduate Certificate Management Development Program, MBL	External Member	Member appointed on 01 July 2020	N/A	N/A
Dr P Dala	Bachelor of Information Technology, BSC(Hons) Masters of IT Doctorate information Technology: Information Security	External Member	Member appointed on 01 July 2020	N/A	N/A

8. COMPLIANCE WITH LAWS AND REGULATIONS

MISA has developed irregular and expenditure framework and Delegation of Authority as measures to ensure consistent compliance with laws and regulations relating to Supply Chain Management, Financial Management and Human Resource Management, as well as other functional areas.

9. FRAUD AND CORRUPTION

MISA's Fraud Prevention Plan Strategy integrates the processes, policies resources to minimise the risk of fraud and corruption. The Fraud Prevention Plan was revised and approved during the financial year under review to align with international best practices. The Fraud and Corruption Prevention Policy was also reviewed and approved. The Risk Assessment conducted during the period under review included fraud risks, which were mitigated through the implementation of an appropriate action plan. Fraud awareness workshops were held twice during the year under review. Fraud and Anti-Corruption awareness also formed part of the orientation programme for new employees.

Employees are constantly encouraged to report suspected incidences of fraud and corruption through the following communication media:

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

Alleged cases of fraud and corruption are reported anonymously through the hotline managed by the Public Service Commission. Reported cases are in turn referred to relevant departments or entities for further investigation.



10. MINIMISING CONFLICT OF INTEREST

The potential conflict of interest in supply chain management (SCM) is minimised in the entity through the following measures:

- Members of the Bid Committees and MISA employees are required to sign a Code of Conduct upon appointment and at the beginning of each financial year.
- Training and development of SCM officials where there are gaps to ensure that they keep abreast of latest developments and best practice.
- Bid Committee Meeting attendees are also required to declare their interest prior to commencement of each Bid Committee Meeting.
- 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 crucial 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 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 remedial steps taken against implicated officials and/or other role players.
- 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 tender to be awarded, they are required to disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that tender.
- An official who becomes aware of a breach of or failure to comply with any aspect of the supply chain management system is required to immediately report such identified breach or failure to the Accounting Officer or delegated official in writing.
- Such reporting can also be done anonymously through appropriate mechanisms, including the national anti-corruption hotline.

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"). Accordingly, 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.

Furthermore, all new employees are taken through the provisions of the Code at an induction session. 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 of the Republic. It is, therefore, incumbent upon MISA employees to always act in the public interest in the execution of their duties and to be guided by the laws and policies of the country. MISA employees complied with the provisions of Code and conducted themselves ethically and professionally.


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. To this end, the Chief Executive Officer designated Health and Safety Representatives, Fire Marshals and First Aiders, and training was undertaken on general OHS principles for all who were designated, as well as specific fire marshalling and first aid for fire marshals and first aiders respectively.

MISA also conducted a few employee wellness sessions which included a session conducted by Government Employees Medical Scheme and provision of head & shoulder massages for employees offered by a service provider.

13. COMPANY /BOARD SECRETARY

Since its establishment, MISA has not had an Advisory Board as contemplated under section 7(A)4(c) 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 without the mandate



to exercise any executive authority over the component. Since MISA has not had an Advisory Board since its establishment, it has not been necessary to appoint or assign an official as a Board Secretary. The Executive Support Directorate under the Office of the Chief Executive Officer is responsible for performing the secretariat functions in support of official governance structures within the organisation.

14. SOCIAL RESPONSIBILITY

MISA did not undertake or fund any social responsibility activities during the financial year under review.

15. REPORT OF THE AUDIT COMMITTEE

We are pleased, as the Audit Committee, to present our report for the financial year ended 31 March 2020.

15.1 RESPONSIBILITY 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 2020, 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)(d) of the PFMA.

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 external audit and progress on the implementation of these recommendation are monitored by the Audit Committee on a quarterly basis.

15.2 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 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 satisfactorily in improving the control environment and to reduce the risk to an acceptable level.

15.3 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.

15.4 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; and
 - Asset valuations and revaluations.
- The review of Annual Financial Statements and the Draft Annual Report for the 2019/20 Financial Year was done at the Committee's meeting held on 22 July 2020.

15.5 AUDITOR'S REPORT

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 2019/20 financial year.

The Committee also monitored the implementation of the action plan to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2018/19 Financial Year.

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

The Committee have reviewed MISA's implementation plan for audit issues raised in the previous year and concluded that such plan is effective as many of the audit findings have 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.

15.6 CONCLUSION

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 to sustain the required effectiveness in governance, accountability, and clean administration.

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:



Pumla Mzizi
Chairperson of the Audit Committee
Municipal Infrastructure Support Agent (MISA)
Date: 30 SEPTEMBER 2020

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

HAS THE PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1-8) WITH REGARDS TO THE FOLLOWING		
CRITERIA	RESPONSE YES/NO	DISCUSSION (INCLUDE A DISCUSSION ON YOUR RESPONSE AND INDICATE WHAT MEASURES HAVE BEEN TAKEN TO COMPLY)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	N/A
Developing and implementing a preferential procurement policy?	Yes	Preferential Procurement policy is in place, and MISA ensures compliance in the application of this policy.
Determining qualification criteria for the sale of state-owned enterprises?	No	N/A
Developing criteria for entering into partnerships with the private sector?	No	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	MISA has obtained a report that measured the extent of Broad-Based Black Economic Empowerment (B-BBEE) due to the nature of business and the report provided recommendations on incentives or schemes that MISA can embark on to ensure compliance.



PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

MISA's Human Resources (HR) priorities for the 2019/20 financial year included mainly the filling of vacancies to achieve the vacancy rate of 10% on the approved staff establishment, improved compliance with reporting requirements of the Department of Labour in relation to the submission of the Employment Equity Report, the implementation of Performance Management and Development System (PMDS), implementation of the approved Human Resource Plan, the performance of HR Capability Assessment to enhance support the core functions of the organisation and the compilation of a Workplace Skills Plan (WSP) that was subsequently submitted to Local Government Sector Training Authority (LGSETA).

In the year under review, MISA continued with the process of filling key positions in line with its current organisational structure as consented to by the Department of Public Service and Administration (DPSA) in March 2017. The total number of posts on the approved staff establishment is 221 posts. Of these positions, 167 were filled with the remaining 54 positions remaining vacant as at the 31st of March 2020. At the same time, the proportion of filled posts under the Technical Support Services, which is the largest core programme stood at 83% (70 of 84). Under the Senior Management Services category, 89% (32 of 36) were filled at the end of the year under review. MISA also completed the process of appointing the Deputy Director-General (DDG) for Infrastructure Delivery Management Support (IDMS) Programme in the third quarter of the year.

Employee performance and rewards within the entity were managed in accordance with the Performance Management Development System (PMDS) applicable to the public service. The Entity achieved 100% and 98% with regard to timeous submission of the Performance Agreements for 2019/20 and 2018/19 Performance Assessments, respectively. The finalisation of performance assessments for employees at level 14 was still outstanding at the end of the financial year. During the year under review, the HRM&D unit convened five wellness sessions that were also extended to provincial staff. HR managed to review and finalise eight (8) HR policies, which have been approved and an additional five (5) policies underway to be approved.

Maintenance of compliance with the PMDS policy requirements and the filling of one of the two DDG posts on the structure that remained vacant for a prolonged period are some of the key achievements in the period under review. Key challenges experienced in the year include the high staff turnover experienced and delays in the appointment of the DDG for TSS Programme. The HR unit will prioritise the filling of the second DDG positions in the next financial year. Other priorities for the next financial year are the development of a retention strategy to stem the tide of staff resignations, particularly among technical professionals and improvement of the wellness programme to ensure that MISA's working environment is conducive for productive performance by its staff. We shall also continue with efforts towards closing the gender gap at the SMS level by targeting the appointment of women into SMS positions.


2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by Programme

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	90 041	43 113	48%	80	539
Technical Support Services	269 389	136 517	51%	351	389
IDMS	42 517	6 947	16%	9	772
Total	401 947	186 577	46%	440	424

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	2 176	1%	2	1 088
Senior Management	39 614	21%	31	1 278
Professional qualified	91 762	49%	90	1 020



LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Skilled	10 432	6%	22	474
Semi-skilled	7 440	4%	25	298
Unskilled	274	0%	1	274
Temporary employees	34 878	19%	269	129
Total	186 577	100%	440	424

Performance Rewards


PROGRAMME /ACTIVITY/ OBJECTIVE	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	-	2 176	-
Senior Management	513	39 614	0.34%
Professional qualified	585	91 762	0.39%
Skilled	59	10 432	0.04%
Semi-skilled	105	7 440	0.07%
Unskilled	8	274	0.01%
Total	1 270	151 699	0.84%

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	43 113	663	2%	39	17
Technical Support Services	136 517	17 516	13%	95	184
IDMS	6 947	-	0%	2	-
Total	186 577	18 179	10%	136	134

Employment and Vacancies

PROGRAMME /ACTIVITY/ OBJECTIVE	2018/2019 NO. OF EMPLOYEES	2019/2020 APPROVED POSTS	2019/2020 NO. OF EMPLOYEES	2019/2020 VACANCIES	% OF VACANCIES
Office of the CEO	14	20	18	2	10%
Technical Support Services	107	134	98	36	27%
IDMS	2	15	5	10	67%
Corporate Management Services	19	23	20	3	13%
Financial Management Services	25	29	26	3	10%
Total	167	221	167	54	24%



PROGRAMME /ACTIVITY/ OBJECTIVE	2018/2019 NO. OF EMPLOYEES	2019/2020 APPROVED POSTS	2019/2020 NO. OF EMPLOYEES	2019/2020 VACANCIES	% OF VACANCIES
Top Management	1	3	2	1	33%
Senior Management	30	36	30	6	17%
Professional qualified	93	115	89	26	237%
Skilled	19	24	21	3	13%
Semi-skilled	23	42	24	18	43%
Unskilled	1	1	1	0	0%
Total	167	221	167	54	24%

During the period under review, MISA continued with the process of filling positions that have been vacant since the approval of the revised structure in March 2017. Our efforts resulted in the reduction of the overall vacancy rate to 24% as at 31 March 2020. The vacancy rate at SMS level was 18% at the same period. In January 2020, the process of appointing the DDG for IDMS Programme was completed and the posts of DDG: Technical Support Services was re-advertised after all previous efforts to fill the position did not yield desired results.

Employment Changes

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	1	1	0	2
Senior Management	30	1	1	30
Professional qualified	93	15	10	98
Skilled	19	4	0	23
Semi-skilled	23	4	0	27
Unskilled	1	0	0	1
Total	167	25	11	181

Reasons for staff leaving

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS
Death	0	0%
Resignation	11	9%
Dismissal	0	0%
Retirement	1	0.8%
Ill health	0	0%
Expiry of contract	111	90.2%
Other	0	0%
Total	123	100%

The high staff turnover depicted above was mainly due to the expiry of contracts of water process controllers, learners and artisans after successful completion of their training programmes. Another major reason for staff attrition were resignations that affected mainly the TSS Programme due to the high level of resignations among technical professionals. To address this challenge, the process of developing a staff retention policy and strategy was initiated and will be completed in the next financial year.

Labour Relations: Misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0
Total	0

No disciplinary or misconduct case were recorded under the period of review. Employees were trained on the Grievance and Disciplinary Procedures during the year under review.

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	1	0	0	1
Professional qualified	46	48	3	2	3	3	8	9
Skilled	11	11	0	1	0	0	0	1
Semi-skilled	8	14	0	1	0	0	0	1
Unskilled	1	1	0	0	0	0	0	0
Total	82	91	5	6	4	3	8	12

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	1	0	0	0	0	0	0	0
Senior Management	12	14	0	1	0	0	0	1
Professional qualified	24	35	3	2	0	0	2	1
Skilled	10	11	0	1	0	0	0	1
Semi-skilled	16	21	0	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	63	81	3	5	0	1	2	4

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	1	0	1
Semi-skilled	0	1	0	1
Unskilled	0	0	0	0
Temporary employees	0	0	0	0
Total	0	2	0	2

MISA is striving to achieve the gender equity target of at least 50% women at the Senior Management echelons and the filling of 2% of the total posts with persons, as prescribed in the Employment Equity Act. In the period under, MISA was seating at 44% in relation to gender equity with women occupying 14 of 32 SMS positions on the approved structure. The 2% target for persons with disabilities was not achieved during the period under review due to difficulties in attracting applications from qualifying persons. To ensure the achievement of this target in the near future, we are embarking on a targeted recruitment process that entails, among others, the sharing of information on advertised positions with organisations representing the interests of people with disabilities to encourage their members to apply. Furthermore, the HR unit is considering the option of identifying posts to be targeted for the employment of Persons with Disabilities.





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 Municipal Infrastructure Support Agent set out on pages 61 to 99, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts 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 2020, 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 *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
7. In preparing the financial statements, the accounting officer is responsible for assessing the government component'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

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


Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the 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 do not examine whether the actions taken by the government component enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the government component for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 2 – Technical support services	28 to 32

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



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

- Programme 2 – Technical support services

Other matters

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 23 to 36 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

19. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
23. I have nothing to report in this regard.



Internal control deficiencies

24. 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

30 September 2020



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 relating to events or conditions that may cast significant doubt on the ability of the Municipal Infrastructure Support Agent to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a government component to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also 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, actions taken to eliminate threats or safeguards applied.



Municipal Infrastructure
Support Agent (MISA)

REPUBLIC OF SOUTH AFRICA

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
Annual Financial Statements
for the year ended 31 March 2020

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Index

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

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Abbreviations

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act (Act 1 of 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 entity 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 entity's cash flow forecast for the year to 31 March 2021 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.

At the time of preparing this report the existence of novel coronavirus (Covid-19) was confirmed and had been spreading rapidly across the globe. During this outbreak, protecting the health and well-being of our staff, clients and other key stakeholders is at the centre of our response plans. We have activated business continuity plans to ensure continued performance of essential functions even under stressed conditions and identified appropriate mitigating initiatives to address the challenges being faced. Given that the outbreak occurred post year-end, this is considered a non-adjusting post reporting date event. As the situation is still evolving the expected future impact on communities and business activities is difficult to quantify and will be considered and included in strategy.

MISA has assessed the impact of the COVID- 19 virus on its results. it is not certain to what extent the economy will recover during 2020 however, even when the worst case scenario is applied to forecasted figures, there is no doubt regarding the ability of MISA to continue as a going concern.

The above would not impact MISA's ability to pay its debts as they become due or create any uncertainty with regards to MISA's ability to continue as a going concern. Other than those mentioned above there are no other material facts or circumstances which occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment or disclosure in the financial statements.

The annual financial statements set out on pages 61 to 99, which have been prepared for the entity on the going concern basis, were approved by the Accounting Officer on 30 September 2020 and were signed on its behalf by:



Mr G.N Vimba
Chief Executive Officer
MISA
Date: 30 September 2020

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 31 March 2020.

1. Incorporation

The Municipal Infrastructure Support Agent (MISA) is a Government Component within the Ministry for Cooperative Governance and Traditional Affairs (CoGTA), 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 those listed in the subparagraph above.

On establishment, the funding for MISA was ring fenced within the vote of the Department of Cooperative 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 government 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.

Paragraph 40 (1) (c) of the PFMA requires Accounting Officer of a department, trading entity and constitutional entities to submit annual financial statements within 2 months after the end of the financial year (i.e 31st May) to AGSA and relevant Treasury. The above annual financial statements submission deadline was extended to 31 July 2020 as per PFMA exemption notice Gazette no. 43118 dated 31 March 2020 as approved by the Minister of Finance.

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 seventh year of reporting as a separate entity.

Net deficit for the period under review

Net deficit of the entity for the twelve months period under review is R54 589 928. (R72 792 750: March 2019 Deficit).

3. 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.

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 foreseeable future.

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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. The MISA budget was reduced by R5.9m for 2020/2021 financial year, however MISA has managed to realign its budget to cater for the reduction without affecting its operational performance.

4. Accounting policies

The annual financial statements have been 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 had identified fraudulent transactions relating to invoices for travel and subsistence. The Funds related to these fraudulent transactions were recovered from the service provider.

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Statement of Financial Position as at 31 March 2020

	Notes	2020 R	2019 R
Assets			
Current Assets			
Prepayments	3	1,731,614	213,295
Receivables from exchange transactions	4	-	593,424
Receivables from non-exchange transactions	5	292,776	360,004
Cash and cash equivalents	6	98,225,577	146,447,354
		<u>100,249,967</u>	<u>147,614,077</u>
Non-Current Assets			
Property, plant and equipment	7	8,790,183	10,722,311
Intangible assets	8	18,141,530	21,330,498
		<u>26,931,713</u>	<u>32,052,809</u>
Total Assets		<u>127,181,680</u>	<u>179,666,886</u>
Liabilities			
Current Liabilities			
Operating Lease Liability	9	-	295,527
Payables from exchange transactions	10	53,869,896	54,565,592
Provisions	11	12,344,190	9,248,244
		<u>66,214,086</u>	<u>64,109,363</u>
Total Liabilities		<u>66,214,086</u>	<u>64,109,363</u>
Net Assets		<u>60,967,594</u>	<u>115,557,523</u>
Accumulated surplus		<u>60,967,594</u>	<u>115,557,523</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Statement of Financial Performance

	Notes	2020 R	2019 R
REVENUE			
Revenue from Exchange Transactions			
Sale of Scrapped Assets		30,925	-
Interest received		3,350,376	4,947,952
Total revenue from exchange transactions	12	3,381,301	4,947,952
Revenue from Non-Exchange Transactions			
Transfer revenue			
Government grants (DCoG)	13	343,976,000	342,456,000
TOTAL REVENUE		347,357,301	347,403,952
Expenditure			
Employee related costs	14	(186,577,127)	(163,096,892)
Depreciation and amortisation	15	(5,866,815)	(5,430,547)
Contracted services	16	(142,236,368)	(190,701,222)
General Expenses	17	(67,266,919)	(60,968,041)
TOTAL EXPENDITURE		(401,947,229)	(420,196,702)
Deficit for the year		(54,589,928)	(72,792,750)

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
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 01 April 2019	115,557,522	115,557,522
Changes in net assets		
Surplus/(Deficit) for the year	(54,589,928)	(54,589,928)
Total changes	(54,589,928)	(54,589,928)
Balance at 31 March 2020	60,967,594	60,967,594

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Cash Flow Statement

	Notes	2020 R	2019 R
Cash flows from operating activities			
Receipts			
Grants		343,976,000	342,456,000
Interest income		3,350,377	4,354,528
		<u>347,326,377</u>	<u>346,810,528</u>
Payments			
Employee costs		(183,287,940)	(160,478,954)
Goods and Services		(211,442,033)	(236,717,623)
		<u>(394,729,973)</u>	<u>(397,196,577)</u>
Net cash flows from operating activities	18	<u>(47,403,596)</u>	<u>(50,386,049)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(609,824)	(5,721,574)
Purchase of other intangible assets	8	(239,282)	(24,922)
Sale of Scrapped Assets written off prior year	12	30,925	-
Net cash flows from investing activities		<u>(818,181)</u>	<u>(5,746,496)</u>
Net increase in cash and cash equivalents		(48,221,777)	(56,132,545)
Cash and cash equivalents at the beginning of the year		146,447,354	202,579,899
Cash and cash equivalents at the end of the year	6	<u>98,225,577</u>	<u>146,447,354</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income	-	-	-	30,925	30,925	
Interest received - Call Account	-	-	-	3,350,376	3,350,376	Note 27
Total revenue from exchange transactions	-	-	-	3,381,301	3,381,301	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	343,976,000	-	343,976,000	343,976,000	-	
Total revenue	343,976,000	-	343,976,000	347,357,301	3,381,301	

Expenditure

Employee related costs	(202,372,387)	-	(202,372,387)	(186,577,127)	15,795,260	Note 27
Depreciation and amortisation	(7,500,000)	-	(7,500,000)	(5,866,815)	1,633,185	Note 27
Contracted Services	(57,527,153)	(82,697,993)	(140,225,146)	(142,236,368)	(2,011,222)	Note 27
General Expenses	(76,576,460)	-	(76,576,460)	(67,266,919)	9,309,541	Note 27
Total expenditure	(343,976,000)	(82,697,993)	(426,673,993)	(401,947,229)	24,726,764	

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(82,697,993)	(82,697,993)	(54,589,928)	28,108,065	
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Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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 1 of 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 circumstances, 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

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.

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 foreseeable future.

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 experience of 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 considers 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 language 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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

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.

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 separately.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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 - 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.

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

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

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 tests 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 asset 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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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 quarterly performance and financial reports to DCoG.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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 24 in the annual financial statements.

1.15 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
 - 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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.15 Related parties (continued)

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 perform 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 conclude 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 audited annual financial statements.

1.16 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.

1.17 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:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- 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.
- 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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.17 Financial instruments (continued)

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 subsequently measured at amortised cost, using effective interest method, less accumulated impairment 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.

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

Receivables
Cash and cash equivalents

Category

Financial asset measured at amortised cost
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

Payables

Category

Financial liability measured at amortised cost

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.17 Financial instruments (continued)

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.

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).

1.18 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).

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

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.

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Accounting Policies

1.19 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 interdependent 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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

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:

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

IGRAP 19

IGRAP 19 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.

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

?General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
3. Prepayments		
The prepayment for refers to licence fees paid in advance.		
Prepayment - Software Licences	1,731,614	213,295
4. Receivables from exchange transactions		
Interest receivable on Call Account	-	593,424
5. Receivables from non-exchange transactions		
Debtors	565,896	547,973
Provision for doubtful debts	(273,120)	(187,969)
	292,776	360,004
Reconciliation of provision for doubtful debts		
Opening balance	(187,969)	(118,561)
Increase in provision	(85,151)	(69,408)
Closing balance	(273,120)	(187,969)

MISA's receivables are immaterial and COVID-19 will not have any significant impact on MISA's financial position.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand-Petty Cash	16,799	7,233
Bank balances-Current and Salary Account	16,781,609	22,983,965
Short-term deposits- Call Account	81,427,169	123,456,156
	98,225,577	146,447,354

The amount of R18,3m included in cash and cash equivalents relates to KZN CoGTA. Under payable the amount of R18,3m is disclosed as follows: R16m KZN CoGTA and R2.3m as trade payables. Refer to note 10.

7. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6,547,372	(4,207,545)	2,339,827	6,476,052	(3,761,040)	2,715,012
Motor vehicles	624,322	(517,002)	107,320	624,322	(427,569)	196,753
Office equipment	2,906,623	(1,533,792)	1,372,831	2,934,906	(1,324,752)	1,610,154
Computer equipment	14,808,859	(9,838,654)	4,970,205	14,510,307	(8,309,915)	6,200,392
Total	24,887,176	(16,096,993)	8,790,183	24,545,587	(13,823,276)	10,722,311

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Mar 2020

	Opening balance	Additions	Loss on Disposal of assets	Depreciation	Total
Furniture and fixtures	2,715,012	80,694	-	(455,879)	2,339,827
Motor vehicles	196,753	-	-	(89,433)	107,320
Office equipment	1,610,154	25,000	(22,898)	(239,425)	1,372,831
Computer equipment	6,200,392	504,130	(80,491)	(1,653,826)	4,970,205
	10,722,311	609,824	(103,389)	(2,438,563)	8,790,183

Reconciliation of property, plant and equipment - Mar 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

Pledged as security

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

8. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	815,002	(495,273)	319,729	575,719	(461,650)	114,069
Municipal Infrastructure Performamnce Management Information System (MIPMIS)	33,946,285	(16,124,484)	17,821,801	33,946,286	(12,729,857)	21,216,429
Total	34,761,287	(16,619,757)	18,141,530	34,522,005	(13,191,507)	21,330,498

Reconciliation of intangible assets - Mar 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	114,068	239,282	(33,621)	319,729
Municipal Infrastructure Performance Management Information System (MIPMIS) - (Internally generated)	21,216,430	-	(3,394,629)	17,821,801
	21,330,498	239,282	(3,428,250)	18,141,530

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
MIPMIS - Internally generated	24,611,058	-	(3,394,628)	-	21,216,430
	24,725,372	24,922	(3,419,235)	(561)	21,330,498

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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8. Intangible assets (continued)

Pledged as security

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

9. Operating Lease Liability

Non-current liabilities	-	-
Current liabilities	-	(295,527)
Operating lease accrual	-	(295,527)

Minimum Lease payments due for the following periods:

Not later than one year	11,028,537	9,550,041
Later than one year and not later than five years	7,859,582	498,279
	18,888,119	10,048,320

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 20 months which commenced on 1 April 2020 and ends on 20 November 2021.

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

Currently 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

Trade payables	37,440,705	54,393,671
KZN Cogta	16,064,028	-
Other payables	365,163	171,921
	53,869,896	54,565,592

The amount of R16m for KZN CoGTA is the balance of R20m that was received from KZN CoGTA plus interest received, less expenditure incurred thus far.

Municipal Infrastructure Support Agent (MISA)

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Notes to the Annual Financial Statements

	2020 R	2019 R
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11. Provisions

Reconciliation of provisions - Mar 2020

	Opening Balance	Movement	Closing Balance
Leave provision: Employees	7,898,244	2,914,945	10,813,189
Bonus Provision	1,350,000	181,000	1,531,000
	9,248,244	3,095,945	12,344,189

Reconciliation of provisions - Mar 2019

	Opening Balance	Movement	Total
Leave Provision: Technical consultant	2,432,756	(2,432,756)	-
Leave Provisions: 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

Leave Provision: This relates to the value of leave owing to MISA employees. 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 2020/21 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.

The unused leave due date has been extended until end of July 2020.

12. Revenue from exchange transactions

Sale of Scrapped Assets written off prior year	30,925	-
Interest received - Call Account	3,350,376	4,947,952
	3,381,301	4,947,952

13. Revenue from non exchange transactions

Government grant	343,976,000	342,456,000
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Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
14. Employee related cost		
Salaries	158,880,077	147,848,942
Bonus	11,648,779	4,181,089
Medical aid	1,212,926	724,867
Pension	12,839,693	8,949,342
Travel, motor car, accommodation, subsistence and other allowances	1,995,652	1,392,652
	<u>186,577,127</u>	<u>163,096,892</u>

Remuneration of Chief Executive Officer - Vimba GN

Basic Salary	1,384,973	1,169,558
Other Short-term employee benefits	413,611	553,643
Post-employment such as Pension and other retirement benefits	180,046	152,042
Fees for services as a member management	197,853	171,417
	<u>2,176,483</u>	<u>2,046,660</u>

Remuneration of Chief Financial Officer - Nombembe F

Basic Salary	902,313	857,711
Other Short-term employee benefits	349,310	256,178
Bonuses and Performance related payments	61,265	-
Post-employment such as Pension and other retirement benefits	117,300	111,502
	<u>1,430,188</u>	<u>1,225,391</u>

Remuneration of Deputy Director General - Kgomo EM

Basic Salary	281,228	-
Other Short-term employee benefits	60,214	-
Post-employment such as Pension and other retirement benefits	36,560	-
	<u>378,002</u>	<u>-</u>

Remuneration of Acting Deputy Director General - Ngobeni TS

Basic Salary	929,582	883,634
Other Short-term employee benefits	373,701	415,065
Bonuses and Performance related payments	63,117	58,942
Post-employment such as Pension and other retirement benefits	120,845	114,872
	<u>1,487,245</u>	<u>1,472,513</u>

Remuneration of Chief Director: Kock J

Basic Salary	1,047,169	580,655
Other Short-term employee benefits	316,814	181,541
Post-employment such as Pension and other retirement benefits	136,132	75,485
	<u>1,500,114</u>	<u>837,681</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
14. Employee related cost (continued)		
Remuneration of Chief Director: Mamuremi F		
Basic Salary	1,047,169	651,561
Other Short-term employee benefits	316,814	188,830
Post-employment such as Pension and other retirement benefits	136,132	84,702
	<u>1,500,114</u>	<u>925,093</u>
Remuneration of Chief Director : Office of CEO - Mathada V		
Basic Salary	796,784	757,400
Other Short-term employee benefits	427,705	406,561
Bonuses and Performance related payments	63,117	58,942
Post-employment such as Pension and other retirement benefits	103,582	98,463
	<u>1,391,188</u>	<u>1,321,366</u>
Remuneration of Chief Director - Mathabathe R		
Basic Salary	875,828	138,756
Other Short-term employee benefits	261,595	41,444
Post-employment such as Pension and other retirement benefits	113,857	18,038
	<u>1,251,280</u>	<u>198,238</u>
Remuneration of Chief Director: Chikwanda M		
Basic Salary	325,576	110,435
Other Short-term employee benefits	115,840	24,547
Post-employment such as Pension and other retirement benefits	42,325	14,356
	<u>483,741</u>	<u>149,338</u>
Remuneration of Acting Chief Director - Dladla TH		
Basic Salary	-	274,749
Other Short-term employee benefits	-	162,247
Post-employment such as Pension and other retirement benefits	-	35,717
	<u>-</u>	<u>472,713</u>
Remuneration of Acting Chief Director - Sigcau L		
Basic Salary	-	604,013
Other Short-term employee benefits	-	357,864
Post-employment such as Pension and other retirement benefits	-	78,521
	<u>-</u>	<u>1,040,398</u>
Remuneration of Acting Chief Director: Mpengesi L		
Basic Salary	261,852	311,345
Other Short-term employee benefits	87,568	187,745
Post-employment such as Pension and other retirement benefits	34,041	40,475
	<u>383,461</u>	<u>539,565</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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14. Employee related cost (continued)

Remuneration of Acting Deputy Director General- Seroka T

Other Short-term employee benefits	-	50,843
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The amount reflected only represents an acting allowance from April 2018 to November 2018 as T Seroka's salary is paid by DCoG

Summary of key management personnel

Basic Salary	7,852,475	6,339,816
Other Short-term employee benefits	2,723,171	2,826,507
Bonuses and Performance related payments	187,499	117,884
Post-employment such as Pension and other retirement benefits	1,020,820	824,175
Fees for services as a member of management	197,853	171,417
	<u>11,981,818</u>	<u>10,279,799</u>

15. Depreciation and amortisation

Property, plant and equipment	2,438,565	2,011,312
Intangible assets	3,428,250	3,419,235
	<u>5,866,815</u>	<u>5,430,547</u>

16. Contracted services

Information Technology Services	2,639,483	2,435,145
Professional and consulting services	83,937,224	116,985,857
Property rental	11,662,777	11,960,045
Agency support	613,625	8,886,642
Security services	1,297,089	1,143,993
Infrastructure Projects	42,086,170	49,289,540
	<u>142,236,368</u>	<u>190,701,222</u>

Infrastructure Projects relates to projects constructed in support of municipalities. All Infrastructure Projects related costs are expensed in the year they are incurred.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
17. General expenses		
Advertising expenses	477,928	1,227,966
Audit fees	4,512,728	5,444,675
Bank Charges	115,361	122,537
Cleaning	799,548	732,220
Office related expenditure	859,331	1,884,834
Increase/(decrease) in loss on disposal and impairment	85,151	69,408
Entertainment	323,542	381,826
Printing and stationery	801,442	847,288
Telephone	2,187,922	610,043
Transport	5,041,251	2,732,628
Training	18,178,817	19,184,870
Accommodation	24,502,538	20,660,221
Bursaries	3,462,852	4,827,350
Catering	915,718	545,204
Sundry expenses	1,818,171	1,431,512
Venues and facilities	3,184,619	265,459
	67,266,919	60,968,041

Included under sundry expenses are the following expenses:

Consumables	295,826	162,315
Staff funeral	-	30,300
Courier	11,950	13,559
Legal costs	1,407,006	976,137
Loss on write off of fixed assets	103,389	249,201
	1,818,171	1,431,512

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

18. Cash used in operations

Surplus/ (Deficit) for the year	(54,589,928)	(72,792,750)
Adjustments for:		
Increase /(Decrease) in Depreciation and amortisation	5,866,815	5,430,547
Loss on sale of assets and liabilities	(30,925)	-
Increase /(Decrease) in Loss on disposal of fixed assets	103,389	249,201
Decrease/(Increase) in operating lease liabilities	(295,527)	163,500
Decrease / (Increase) in provisions	3,095,946	2,030,279
Receivables from exchange transactions	593,424	(593,424)
(Increase)/ Decrease in Receivables from non-exchange transactions	67,228	(37,173)
Decrease in Prepayments	(1,518,319)	883,219
Increase/(Decrease) in Payables from exchange transactions	(695,699)	14,280,552
Cash used in operations	(47,403,596)	(50,386,049)

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
19. Commitments		
Approved Expenditure		
Total Commitments		
• Contractors	115,956,293	214,233,819
Commitments payable not later than one year		
• Contractors	97,452,475	150,628,631
Commitments payable later than one year and not later than five years		
Contractors	18,503,818	63,605,188
	18,503,818	63,605,188

This committed expenditure relates to service providers and will be financed by annual transfers from National Treasury through DCoG.

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, accommodation 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, (R983 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.
4. Claims of unfair dismissal by former Technical Consultant. The Contracts of Consultants expired and the applicant applied for a permanent position but was unsuccessful. He logged a case with bargaining council claiming unfair dismissal as he had a legitimate expectation of employment. The claim is for R348 000.00

Claim by service providers	17,331,000	16,983,000
	17,331,000	16,983,000

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 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		
Transfer Received		
Transfer from DCoG	343,976,000	342,456,000
Payments made		
Amounts paid to DCoG for reimbursement of costs	-	3,481,233
Related party balances		
Amount included in payables 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	293,093
Refer to note 14 for key management personnel information and note 26 for members of audit committee.		
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 National Treasury through DCoG and incurs expenditure in terms of a planned budget. MISA has sufficient resources to meet its obligations as they fall due, Refer to note 10 . Monthly management meetings are held to ensure that the planned budget is adequately managed.		
Maturity analysis		
30 days	53,869,896	54,565,594

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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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 2020 were as follows:

Age analysis of receivables for non-exchange transactions (neither past due nor impaired)	2020	2019
0-3 months	52,507	102,765
>3-6 months	1,728	-
>6-12 months	7,046	25,309
>12 months and older	231,495	231,930
TOTAL	292,776	360,004

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	1,526,375	1,524,317
Add: Expenditure incurred - current year	-	2,058
Amount written off	(497,124)	-
Transferred to Trade Receivables	(45,000)	-
	984,251	1,526,375

Fruitless and wasteful expenditure relates to salary overpayment and SARS penalty due to late payment of employee tax.

24. Irregular expenditure

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

There is no Irregular expenditure in the current year.

25. Employee benefit obligations

Defined contribution plan

Contributions	12,839,693	8,949,342
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MISA employees belong to a defined benefit plan which is managed by the Government Pension Fund, sufficient information 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.

Municipal Infrastructure Support Agent (MISA)

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	2020 R	2019 R
26. Fees for members of Audit and Risk Committee		
Mr F Sinthumule: Chairperson	172,569	209,982
Mr E Cousins: External Member	54,975	164,559
Adv RR Dehal: External Member	53,876	82,279
Ms D Dondur: External Member	133,040	156,862
Ms P Mzizi: External Member	135,239	138,171
	<u>549,699</u>	<u>751,853</u>

27. Actual operating expenditure versus budgeted operating expenditure

27.1 Interest received on the Call Account was not budgeted for hence the positive variance of R3,350,377

27.2 Variance between Approved and Final Budget

Adjustment to the approved budget relates to the following:

- The approved budget was increased by R82,697,993 which was the retained funds from the 2018/2019 financial year

27.3 Variance between Final Budget and Actual Expenditure:

- Employee related Costs - The under-expenditure is related to vacancies as the filling of positions is still under progress.
- Contracted services - Variance is 1.5%, not significant.
- Depreciation - Less than budget to lower assets purchases in the current year
- General Expenses - underspending was mainly as a result of savings on lease payment and training.

28. Events after the reporting date

COVID-19

At the time of preparing this report the existence of novel coronavirus (Covid-19) was confirmed and had been spreading rapidly across the globe.

During this outbreak, protecting the health and well-being of our staff, clients and other key stakeholders is at the centre of our response plans. We have activated business continuity plans to ensure continued performance of essential functions even under stressed conditions and identified appropriate mitigating initiatives to address the challenges being faced.

Given that the outbreak occurred post year-end, this is considered a non-adjusting post reporting date event. As the situation is still evolving the expected future impact on communities and business activities is difficult to quantify and will be considered and included in strategy.

MISA has assessed the impact of the COVID- 19 virus on its results. It is not certain to what extent the economy will recover during 2020, however, even when the worst case scenario is applied to forecasted figures, there is no doubt regarding the ability of MISA to continue as a going concern.

The above would not impact MISA's ability to pay its debts as they become due or create any uncertainty with regards to MISA's ability to continue as a going concern. Other than those mentioned above there are no other material facts or circumstances which occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment or disclosure in the financial statements.

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