

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

ANNUAL REPORT
2020/2021 FINANCIAL YEAR



**cooperative
governance**

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA



Today, Creating a Better Tomorrow



MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
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PART A: GENERAL INFORMATION

ANNUAL REPORT 2020/21 FINANCIAL YEAR

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
B-BBEE	Broad-based Black Economic Empowerment
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRC	Criminal Record Checks
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
DoL	Department of Labour
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DWS	Department of Water and Sanitation
EA	Executive Authority
ESG	Environmental, Social and Governance
FCIP	Framework Contracts and Infrastructure Procurement
GCC	General Conditions of Contracts
GDP	Gross Domestic Product
GICTM	Government Information and Communication Technology
GRAP	Generally Recognised Accounting Practice
HH	Households
HR	Human Resources
HRMD	Human Resources Management and Development
IAA	Infrastructure Assessment and Analysis subprogramme
ICT	Information Communication Technology
IAS	International Auditing Standards
IDMS	Infrastructure Delivery Management System
IDMS	Infrastructure Delivery Management Support Programme
IDMSC	Infrastructure Delivery, Maintenance and Stakeholder Coordination subprogramme
IDPs	Integrated Development Plans
IUDF	Integrated Urban Development Framework
IWM	Integrated Waste Management
KPI	Key Performance Indicator
LGSETA	Local Government Sector Training Education and Training Authority
LIC	Labour-Intensive Construction Methods



LM	Local Municipality
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
NSDF	National Spatial Development Framework
NT	National Treasury
OHS	Occupational Health and Safety
O&M	Operations and Maintenance
OSD	Occupational Specific Dispensation
PAAP	Post Audit Action Plan
PFMA	Public Finance Management Act
PMDS	Performance Management Development System
PMU	Project Management Unit
PPE	Personal Protective Equipment
PSA	Public Service Act
PSC	Public Service Commission
PSP	Professional Service Providers
PwD	Persons with Disabilities
RMSC	Regional Management Support Contracts
RPL	Recognition of Prior Learning
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
SDF	Spatial Development Framework
SDGs	Sustainable Development Goals
SMS	Senior Management Services
SOEs	State Owned Enterprises
SPLUMA	Spatial Planning and Land Use Management Act
TSP	Technical Support Plan
TSS	Technical Support Services programme
WC/WDM	Water Conservation or Water Demand Management
WSA's	Water Services Authorities
WSP	Workplace Skills Plan

3.

FOREWORD BY THE MINISTER



The year under review started shortly after the outbreak of the COVID-19 pandemic that continues to ravage the lives and livelihoods of South Africans and the rest of the world. In response to the threat of rapid spread of the coronavirus at that time, Cabinet took a decision to place the country under a nationwide lockdown for the initial period of 21 days. We have had to endure a prolonged period of constrained existence as we navigated the restrictions imposed during the lockdown regulations. As anticipated the pandemic has had a severe impact on the lives and livelihoods of our people, and as we come out of the third wave, we must be ever vigilant.

In the 2020/21 financial year, the Municipal Infrastructure Support Agent (MISA), like all other government and private sector organisations, was compelled to adapt its operational approach to ensure continuity of operations in light of the pandemic. Among the strategies adopted to mitigate the impact of the lockdown restriction was to utilise digital platforms in conducting meetings with both internal and external stakeholders. It also became necessary for government to accelerate the delivery of water to communities.

Cooperative Governance and Traditional Affairs (COGTA), through MISA, worked with social partners, such as the Development Bank of Southern Africa (DBSA) to support municipalities in the fight against the spread of the coronavirus. A total of R109m was raised between MISA, KZN Cogta and DBSA towards drilling, equipping and refurbishment of boreholes, water reticulation, upgrade of Wastewater Treatment Works and procurement of water tankers as part of our response to the coronavirus. Additional funds were also made available through the reprioritisation and repurposing of MIG allocations to municipalities, as part of our response to address serious water shortages in large part of our communities. Notwithstanding MISA's support to municipalities towards improved spending on MIG allocations, some municipalities continued to struggle to spend their allocations.

The coming year is potentially filled with huge challenges and opportunities for MISA as CoGTA will be proceeding with the operationalization of the District Development Model (DDM). MISA is assigned the responsibility of coordinating the implementation of the infrastructure component in the One Plan to be developed for each District or Metropolitan space. This task calls upon MISA to align its operating model to the DDM and to effectively lead the implementation of the municipal infrastructure. Support to municipalities still struggling to implement projects funded through MIG allocations will remain one of the key priorities for the agency in the next financial year. It is important for MISA to support municipalities to mobilise additional funding for municipal infrastructure development. More efforts should also be directed at initiatives to improve operations and maintenance to address challenges of reliability of municipal infrastructure. The entity will also focus on supporting municipalities to institutionalise labour intensive construction (LIC) methods in the implementation of infrastructure projects, as one of its key areas of focus in the next financial year.

I would like to thank the Chief Executive Officer and his staff in MISA for their tremendous efforts towards enhancing the delivery of municipal infrastructure and services for the benefit of our people. I am also thankful to both Deputy Ministers for their support and invaluable contributions to the process of addressing challenges facing the local government sphere.

Nkuma

**DR NKOSAZANA DLAMINI ZUMA, MP
MINISTER**

4.

CHIEF EXECUTIVE OFFICER'S OVERVIEW



MISA's total budget for the 2020/21 financial year was R389.8 million. Total transfer from the National Revenue Fund received through the Cooperative Governance and Traditional Affairs (CoGTA) Vote was R389.8 million. An amount of R32.3 million was secured from the approved retention of unspent funds from previous year's budget. Total budget amount excludes additional revenue amounting to R6.1 million. This amount comprises R3.7 million from interests on the call account and R2.4 million from the Local Government Sector Education and Training Authority (LGSETA) in terms of the cooperation agreement to fund MISA bursary and the recognition of prior learning (RPL) programmes. Total expenditure for the year amounted to R265.1 million, resulting in a surplus in the statement of financial performance of R130.8 million. This reflected the overall spending for the year of 63% in respect to the total budget of R422.2 million. MISA has a commitment of a R145.4 million by year end.

Spending on the cost of employees of R172.7 million accounted for 65% of the total expenditure in the year under review. As a proportion of the total expenditure, spending on employee costs varies from last year's since the number of employees remained relatively stable while total expenditure was significantly lower. A total of R86.8 million was spent on goods and services (contracted services and general expenses), representing 33% of the total spending for the year. The implementation of the new structure enabled management to reduce the vacancy rate to 23% of the total staff establishment at the end of March 2021.

A major challenge experienced in the year under review was the high staff turnover, especially among technical professionals, which creates instability as the organisation had to operate with vacancies in critical areas while embarking on the recruitment process. During the period under review, MISA prioritised the filling of the post of Deputy Director General: Technical Support Services that has been vacant since the revised structure was approved in March 2017.

MISA achieved performance targets for 25 of 31 output indicators in the approved annual performance plan (APP) for 2020/21, which translates into an overall achievement of 81% for the year under review. This performance reflects a slight improvement in comparison to the achievement of 79% in the previous financial year. Four of performance targets not achieved during the financial year were under the Technical Support Services (TSS) and two under Infrastructure Delivery Management Support (IDMS) programme. The main reasons for not achieving annual targets under the TSS programme; were delays in the transfer of funding allocated for supporting municipalities with enhancement of labour-intensive construction methods, political and administrative challenges also undermine the ability of some municipalities to spend their MIG allocations, as well as delays in the recruitment of learners due to restriction imposed through the COVID-19 regulations. Under the IDMS programme, reasons for not achieving their targets were the lengthy process of concluding funding agreements between municipalities and identified funders for climate change mitigation and adaptation.

Two indicators were removed from the revised APP, due to the special budget adjustment as a result of the COVID-19 pandemic. The focus of these two indicators was the placement of artisans and, water and wastewater process controllers in municipalities to enhance capacity for operations and maintenance of municipal infrastructure. MISA also added a new indicator aimed at supporting 15 municipalities on the implementation of infrastructure programmes/projects through Labour Intensive Methods, as part of Presidential Employment Stimulus Package.

MISA successfully applied for the retention of unspent funds amounting to R32.3 million from the 2019/20 budget. MISA has made significant strides in addressing capacity and internal control challenges in supply chain management (SCM) identified during the previous audits 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. SCM processes and procedures are outlined in the SCM policy that is reviewed annually.

In the 2020/21 financial year MISA obtained an unqualified audit opinion without material findings (clean audit) for the third consecutive year. The maintenance of this positive audit outcome was made possible through management's efforts to effectively implement measures to improve internal control environment. All issues raised by the AG in their previous management report were addressed during the year under review.

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 my pleasure to acknowledge 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: 23 September 2021

5.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report 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 2021.

Yours faithfully



NTANDAZO G VIMBA
CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

Date: 23 September 2021

6.

STRATEGIC OVERVIEW

6.1 Vision

Leaders in Municipal Infrastructure Support.

6.2 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.

6.3 Values

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

- Integrity
- Collaborative
- Knowledgeable
- Professionalism
- Service Excellence

7.

LEGISLATIVE AND OTHER MANDATES

7.1 MISA's Mandate

MISA has been 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.

7.2 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.

7.3 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
<p>Municipal Property Rates Act, 2004 (Act No.6 of 2004)</p>	<p>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.</p>



Name of Legislation	Mandate
<p>Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)</p>	<p>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.</p>
<p>Disaster Management Act, 2002 (Act No. 57 of 2002)</p>	<p>To provide for:</p> <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.
<p>Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)</p>	<p>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.</p>





Name of Legislation	Mandate
<p>Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)</p>	<p>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.</p>
<p>The Intergovernmental Relations Framework Act (Act No. 13, of 2005)</p>	<p>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.</p>
<p>Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)</p>	<p>To provide for criteria and procedures for the determination of municipal boundaries by an independent authority; and to provide for matters connected thereto.</p>
<p>Organised Local Government Act, 52 of 1997</p>	<p>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.</p>
<p>Fire Brigade Services Act, 99 of 1987</p>	<p>To provide for the establishment, maintenance, employment, coordination and standardisation of Fire Brigade Services; and for matters connected therewith.</p>



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

7.4 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 most municipalities in the efforts 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 2019 – 2024

The Medium-Term Strategic Framework (MTSF) for the period 2019-2024 has been adopted as the high-level strategic document to guide the implementation and monitoring of NDP over the five-year term of the Sixth Administration. This MTSF focusses on seven key priorities as the pillars to enable the achievement of NDP objectives of building a developmental state, improving the human capital base, reducing inequalities, modernising the public service and transforming the economy.

The key seven priorities captured in the MTSF are:

- Priority 1: Economic Transformation and Job Creation
- Priority 2: Education, Skills and Health
- Priority 3: Consolidating the Social Wage through Reliable and Quality Basic Services
- Priority 4: Spatial Integration, Human Settlements and Local Government
- Priority 5: Social Cohesion and Safe Communities
- Priority 6: A Capable, Ethical and Developmental State
- Priority 7: A Better Africa and World

Under each of these key priorities there are numerous outcomes with corresponding interventions towards the achievement of the outcome indicator targets over a five-year period. The work of MISA as articulated in its strategic plan and annual performance plan seeks to contribute directly and indirectly to priorities 1, 2, 4 and 6 in that:

- Improved infrastructure is critical for economic transformation and job creation;
- There is an urgent need to increase the number and experience of built environment professionals operating in the local government sphere;
- Spatial injustice remains one of the persisting legacies of apartheid which must be eliminated; and
- Social cohesion and safe communities, in part, get improved through the building of integrated environments where everyone has access to basic services.

Relevant Court Rulings

There were no court rulings that impacted on MISA's strategic plan in the year under review.

Policy Initiatives

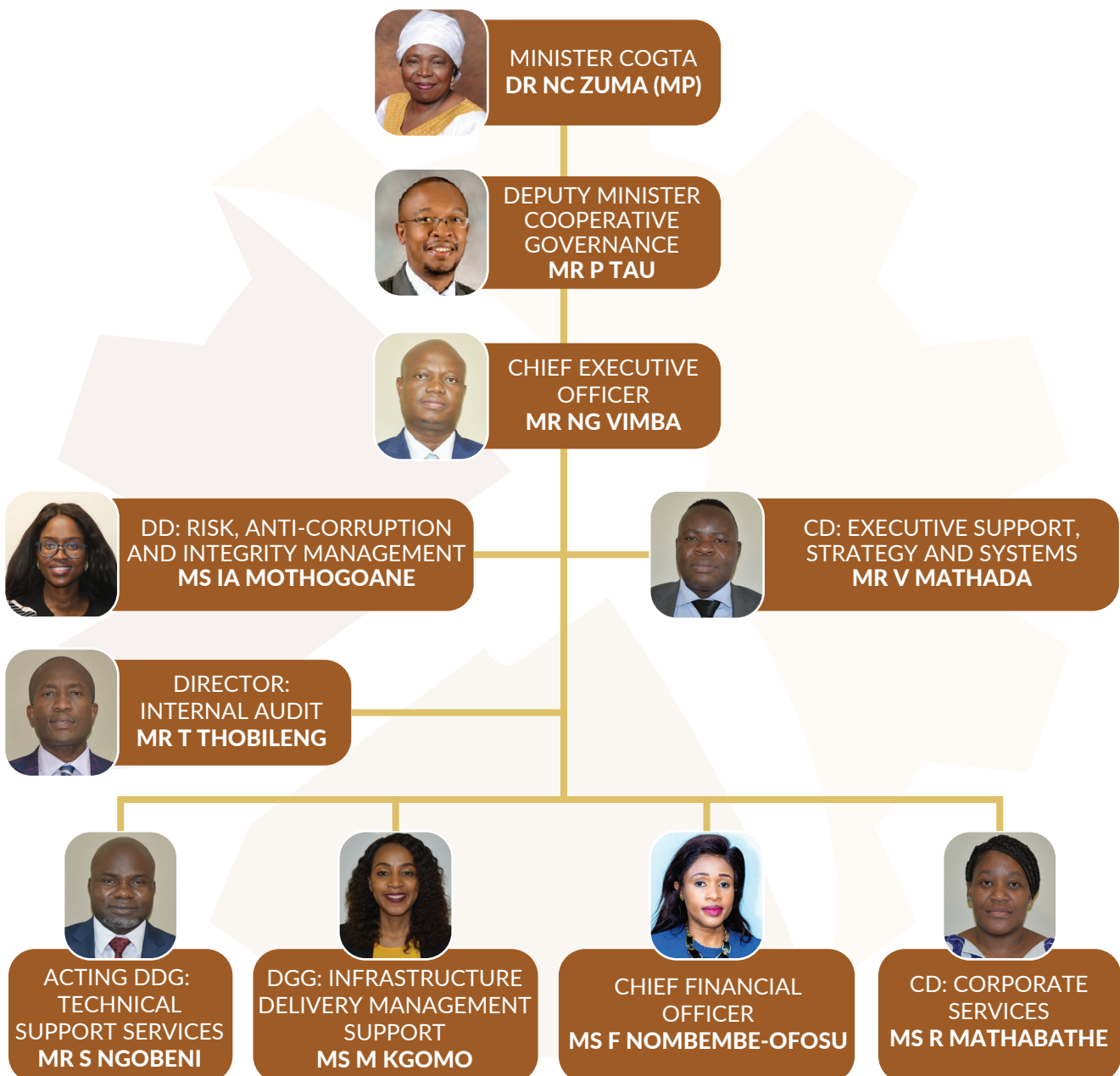
The conclusion of ongoing process of amending the Municipal Systems Act, 32 of 2000 with the aim of professionalising local government would go a long way in enabling the achievement of MISA's objective of building technical capacity in municipalities for improved delivery and management of municipal infrastructure. The envisaged regulations would compel all municipalities to appoint only suitably qualified and experienced professional staff for the performance of technical functions. MISA is an integral part of CoGTA's DDM approach aimed at improving the coordination of efforts of stakeholders from both government and the private sector involved in developmental activities within each of 52 district/ metro spaces. The entity's responsibility in respect to the roll-out of the DDM is the coordination of efforts of role players towards the delivery and management of municipal infrastructure to ensure sustainable provision of basics services.

8.

ORGANISATIONAL STRUCTURE

At the beginning of the 2017/18 financial year, the Department of Public Service and Administration (DPSA) 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 internal organisational capacity. In implementing the new structure, management prioritised the filling of technical positions and other critical positions under 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

ANNUAL REPORT 2020/21 FINANCIAL YEAR

1.

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined 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

The District Development Model (DDM) is an intergovernmental relations mechanism for effective implementation of seven priorities of the Sixth Administration. The rationale for this model is the need to address persisting fragmentation in budgeting, planning and implementation within and across the three spheres of government. It is a unique form of social compacting that involves the key role players in every district aimed at unlocking development and economic opportunities. It is premised on the recognition that lack of integrated service delivery has undermined the impact of development programmes on citizens' material conditions. It provides a framework for collaborative planning and implementation among all government agencies, including state owned enterprises (SOEs) and the private sector at the district or metropolitan level. It is through the rollout of the DDM that government will reinforce the building of a developmental state by strengthening coordination, integration and capacity at the district and metropolitan level.

The main objective of the model is to institutionalise long-term co-planning, achieve spatial transformation in both rural and urban areas, enhance public participation, ensure long term infrastructure adequacy, deliver integrated services and strengthen monitoring and evaluation of impact. The model identifies the 44 Districts and 8 Metropolitan spaces as the strategic alignment platforms for all three spheres of government. The model proposes the development of a 'One Plan' that will focus on implementation through the integration of programmes and projects by all government agencies at the district or metropolitan level. The purpose of this single plan is not to produce an entirely new plan given that the IDPs provide the basis for integration, but to ensure that all planned programmes are aligned, including guiding and directing strategic investments and projects within a particular district or metropolitan space. District hubs will be established to drive the formulation and the implementation of a 'One Plan' in each district or metropolitan space while ensuring that such hubs respond to the significant disparities across the 52 district/metropolitan spaces.

The District Development Model outlines a process by which integrated human settlement, municipal and community services are delivered in partnership with communities so as to transform spatial patterns and development for planned integrated sustainable human settlements with an integrated infrastructure network. To achieve this Cabinet lekgotla approved the development and implementation of a Private sector Participation Model which is aimed at:

- Mobilising private sector funding and developing new innovative funding solutions to manage the entire value chain of municipal infrastructure provision. Crowding in and catalysing private sector investments represent one of the key shifts conceived in the Integrated Urban Development Framework (“IUDF”) and the new DDM; as such investments stimulate development and play a central role in closing the gap arising from current fiscal constraints in government by unlocking resources in a manner that creates shared development with private sector and communities. Mustering private sector funding potentially reduces the burden on grant funding but also enables the effective utilisation of infrastructure grants in municipalities.
- Promoting resource optimization and long-term financial sustainability to achieve Sustainable Development Goals (SDGs), climate change response, and the correct balance between financial returns and ESG (environmental, social, governance) benefits. Long-term infrastructure planning and long-term financial strategies have not enjoyed the coordination necessary to improve service delivery. Infrastructure financing has to be attuned so that there is matching of assets and liabilities, there has been limited meaningful actions pursued to improve infrastructure funding through the fiscal system; allocations from government have remained the same over the past 25 years despite lessons that suggest otherwise. For example, the current three years’ infrastructure investment programme that is linked to infrastructure grant funding based on the local government fiscal framework is not optimal and does not support the institutionalization of long-term development planning as a policy imperative. That notwithstanding, there are best practices to be drawn from metropolitan municipalities on long-term planning, using the fiscal system to support their ability to tap into debt capital markets to fund and expand infrastructure development.
- Providing a viable route to integrate climate change, and effective adaptation planning, with considered mitigation and adaptation strategies, executed on the back of infrastructure investments that support a zero-carbon municipalities and just transition. The IUDF sets the policy framework for investments in infrastructure that seek to simultaneously to reduce emissions, enhance resilience and support inclusive, sustainable economic development.

MISA plays a prominent role in the coordination of other sector department’s inputs/provisions in the implementation of the DDM as the leading support agency in respect to municipal infrastructure and service delivery. Its strategic focus areas for the next five years are aligned with some key elements of the model such as integrated service provisioning, infrastructure engineering, spatial restructuring and economic positioning for each district or metropolitan space. To ensure that MISA effectively contribute to the implementation of the seven priorities within the framework of the DDM, MISA will participate in the district hubs. This will necessitate MISA to remodel its operational approach to be aligned with the DDM.

Despite the challenges imposed by the Covid-19 pandemic on MISA operations, notable achievements for the organisation were reached in the year under review. These include, among others, training of 482 municipal officials in municipal infrastructure management and the development and implementation of operations and maintenance plans in 30 districts despite tight travelling restrictions in place during alert levels 4 and 5. MISA has also initiated a programme aimed at contributing to the economic stimulus package through its support to municipalities to institutionalise labour-intensive methodologies in the delivery of basic services infrastructure funded through conditional grants. To give effect to this programme, MISA has developed a business case that sets out high-level programme guidelines for the roll-out of municipal infrastructure projects following labour intensive approaches. Despite its intensive support to municipalities, MISA has continued to witness persistent underspending on MIG allocations by some municipalities.

2.2 Organisational Environment

Management is continuing with its recruitment process to bring the current vacancy rate to an acceptable level and strengthen the organisational capacity to ensure that the entity contributes meaningfully in the implementation of the MTSF for 2019-2024. The process of appointing the Deputy Director General (DDG): Technical Support Services (TSS) was at an advanced stage with interviews for the post held in December 2020 and awaiting approval from Cabinet on the recommended candidate as at end March 2021. It is envisaged that the position will be filled by the end of the first quarter of 2021/22 financial year. Due to a prolonged delay in the filling of the position, the TSS programme was headed by an official appointed in an acting capacity throughout the year.

High staff turnover among the technical professionals appointed in terms of the Occupation Specific Dispensation (OSD) remained a huge challenge for the organisation. This 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 adopted a talent management and staff retention strategy in the financial year under review.

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.



KaMadolo Electrification Projects

**Thaba Chweu Municipality
(Mpumalanga)**

2.4 MISA Progress towards Achievement of Institutional Impacts and Outcomes

2.4.1 MISA Impact Statement and Outcomes

Impact Statement: Improved access to sustainable services through the strengthening of municipalities' capacity to provide reliable municipal infrastructure in a manner that creates jobs for local communities and contribute to economic growth.

MTSF Priority	Outcome	Outcome Indicator	Five-year Target
Municipal Property Rates Act, 2004 (Act No.6 of 2004)	Improved governance, administrative support system and ethical practises.	Maintenance of unqualified audit opinion annually	Unqualified audit opinion for each year until 2024
		Reduction of wasteful, fruitless and irregular expenditure to zero	Zero fruitless, wasteful and irregular expenditure
Economic transformation and job creation	Effective water management system for the benefit of all	Stabilising Non-Revenue Water in selected Municipalities	5% decrease in Non-Revenue Water in selected municipalities
	Efficiency in infrastructure management	Increased percentage of operational expenditure spent on Operations and Maintenance in districts	8% of operational expenditure spent on Operations and Maintenance in all 44 Districts
		Increase in the percentage expenditure on MIG	90% of MIG receiving municipalities spending at least 90% of MIG
		Increase in the number of municipalities accessing alternative funding sources for infrastructure development	44 districts accessing alternative funding sources for infrastructure development
		Increase in municipal technical capacity	44 districts with technical capacity support
Long term municipal infrastructure investment	Increase in the number of districts implementing long term infrastructure investment plans	44 Districts implementing Long-term Infrastructure Investment Plans	

Impact Statement: Improved access to sustainable services through the strengthening of municipalities' capacity to provide reliable municipal infrastructure in a manner that creates jobs for local communities and contribute to economic growth.

MTSF Priority	Outcome	Outcome Indicator	Five-year Target
	Enhanced intergovernmental and inter-departmental coordination through the implementation of the District Development Model	Improved coordination of municipal infrastructure programmes and projects attained through the development of the infrastructure component of District One Plan	Infrastructure component of One Plan developed in all 44 Districts
Spatial integration, human settlements and local government	A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas	Number of districts supported with the development and/or implementation of SPLUMA compliant plans in line with the District Development Model.	44 districts supported
	Increased access to climate change mitigation and adaptation funds by municipalities	Number of municipalities supported to access funding earmarked for climate change mitigation and adaptation	25 municipalities
	Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services	Number of districts supported to improve capacity to deliver infrastructure to increase access to water services	44 districts supported
		Number of districts supported to improve capacity to deliver infrastructure to increase access to sanitation services	44 districts supported
		Number of districts supported to reduce waste disposal to landfill sites	44 districts supported
Number of districts supported to improve capacity to deliver infrastructure to increase access to electricity services		44 districts supported	

2.4.2 Progress towards achievement of five-year targets in relation to outcome indicators

The audit of MISA's annual financial statements and performance information is conducted by the AGSA. An unqualified audit opinion without material findings (Clean audit) was achieved for the organisation in respect to 2020/21 financial year resulted in an unqualified audit opinion without material findings (clean audit). This was the third consecutive year in which the entity attained this audit outcome. The entity did not incur any irregular expenditure during the year under review and there was no amount of irregular expenditure on its books at the start of the year. There was fruitless and wasteful expenditure of R984 251 disclosed at the end of the last financial year. This amount emanates from historical transactions relating to salary overpayments, expenditure incurred on lapsed bids and interest and penalties on late payment of TV licences, as well penalties on late payments to money due to South African Revenue Services (SARS). The process towards clearing this amount is under way. Fruitless and wasteful expenditure for the year under review amounted to R525 862.

MISA provided support to 44 district Municipalities to have access to sustainable services through strengthening of municipalities' capacity to ensure the provision of reliable municipal infrastructure in a manner that creates jobs for local communities and contributes to economic growth. Support to each of these municipalities was set out in the Technical Support Plan (TSP) and supported by the Memorandum of Understanding (MOU) developed jointly by MISA provincial teams with 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 disruptions in services like the provisioning of water and MISA through the development and implementation of water conservation and water demand plans has managed in the past year to improve the water management system for the benefit of communities.

A total of 10 selected districts has in the previous financial year been identified for support on operations and maintenance (O & M) towards increasing the percentage of operations budget spent on O & M activities to 8% target over the five-year period. 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. MISA has consistently supported these municipalities to achieve 90% of their expenditure in the previous financial year. Since the launch of the DDM MISA has supported 23 districts that were able to integrate their coordinated infrastructure plans into the one plan.

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 20 municipalities to increase access to water and sanitation services in respectively. Additionally, 10 district municipalities were identified and there was an implementation of programmes to reduce waste disposal to landfill sites. MISA also identified eight (8) Municipalities in the previous financial year where it developed strategies and implementation of these strategies that assisted in improving capacity to deliver access to electricity services.

All these programmes will contribute towards reduction of backlogs and improve service delivery. The assessment of infrastructure condition and municipal capacity in 10 districts was undertaken to assess the functionality of water and sanitation infrastructure including their capacity to maintain infrastructure assets and implement infrastructure projects within these municipalities. Areas where municipalities need to improve on functionality and general performance of water and sanitation

infrastructure as well as human capacity were identified. These assessments contributed towards the number of districts supported to improve capacity to deliver infrastructure and increase access to water and sanitation services. The next step in the new financial year will involve further interaction with municipalities to advise on areas of improvement recommending alternative technologies where required.

Initiatives undertaken in the 2020/21 financial year to improve efficiency in infrastructure management, through increased municipal technical capacity in 44 Districts, include the following:

- MISA's contribution towards creating the technical skills pipeline in municipalities through the placement of 248 youth (learners and candidates) in host municipalities from 40 District across the country.
- A total of 482 municipal officials, from 39 Districts, attended MISA facilitated technical skills training courses in areas such as:
 - Road Construction, Maintenance & Rehabilitation;
 - General Conditions of contracts (GCC) 2015;
 - Estimating, Costing and Pricing of Construction;
 - Advanced Water Treatment Processes;
 - SPLUMA Guidelines for Special Development Framework;
 - Fundamentals of Procurement & Tendering;
 - Pressure pipeline and pump station design and specifications; and
 - Development of Asset Management Plans.
- 123 municipal general workers, from 12 Districts, were enrolled in the Recognition of Prior Learning (RPL) Programme to enhance their technical skills and undergo training towards obtaining formal qualifications.
- MISA supported 15 pilot municipalities from seven (7) districts in implementing their Municipal Capacity Development Plans (MCDPs). The support provided was aimed at promoting ownership of capacity development amongst municipalities, whilst enhancing coordination of capacity support that is provided by other stakeholders. The ultimate objective is to strengthen the capacity of municipalities to manage their affairs, exercise their powers and perform their functions in a sustainable manner.

During the 2020/21 financial year five (5) district municipalities were supported to implement long-term infrastructure investment plans and twelve (12) districts were supported with the process of accessing funding from alternative sources. Five (5) municipalities were supported on climate change mitigation and adaption funding. Over the next outer years of the Medium Term Expenditure Framework (MTEF), the entity will continue to collaborate with financiers and other relevant stakeholders (SALGA, National Treasury, etc.) to extend support to other districts that have not been previously supported.

In relation to the five-year target to support nine districts through the Regional Management Support Contract (RMSC) programme, significant progress has been made. The outputs produced from the implementation of this programme in three pilot districts is being institutionalised within MISA to ensure that all municipalities supported by MISA benefit from the programme at no additional cost to

the organisation. The feasibility studies to address misalignment of bulk water and reticulation programmes was implemented in 5 water services authorities. This contributed towards the broader outcome of improving efficiencies in the delivery of services over the MTEF.

Over the MTEF period, The Framework Contracts and Infrastructure Procurement (FCIP) focuses on supporting municipalities with the institutionalization of Infrastructure Delivery Management System (IDMS) in order to improve planning, delivery and procurement of infrastructure goods, services and works. The programme also provides municipalities with alternative procurement strategies through the use of framework contracts to improve infrastructure procurement and shorten procurement period. All these programmes were implemented utilising the operational budget. Seventeen (17) district municipalities were supported with the utilisation of the framework contracts whilst five (5) district municipalities were supported with the implementation of IDMS in order to improve capacity to deliver infrastructure and to increase access to water services; the target is to support 44 districts supported over five years.

Annual Performance Plan Revisions 2020/21

Re-tabled APP: 09 July 2020

On the 20th May 2020, the Department of Planning, Monitoring and Evaluation (DPME) issued Circular Number 2 of 2020 in which they indicated that they would provide guidance on the revision and re-tabling of 2020/25 Strategic Plans and 2020/21 Annual Performance Plans to incorporate COVID-19 interventions and to align the plans with the special budget adjustment. The impact of the national state of disaster and the nation-wide lockdown necessitated government departments and public entities such as MISA, to review their institutional plans to ensure that such plans respond to the COVID-19 pandemic and continuity of service delivery in the 2020/21 financial year. In this regard, MISA revised its APP by removing two output indicators under the TSS programme due to budget reduction and revised one indicator under IDMS before it re-tabled its APP in Parliament on the 9th June 2020.

Re-tabled APP: 20 July 2020

The Ministry of Cooperative Governance and Traditional Affairs (COGTA) was identified as one of the departments to support the implementation of the Presidential Employment Stimulus Package, through MISA. COGTA was initially considered for the allocation of R554 million in the 2020/21 financial year to implement infrastructure projects through Labour-Intensive Construction (LIC) methods to stimulate economic employment opportunities. As the designated implementing agency, MISA was required to revise its APP to include a new indicator targeting the creation of 25 000 job opportunities through the use of LIC methods.

Re-tabled APP 27 November 2020

Upon presenting its business case to National Treasury (NT) on how MISA supports municipalities to implement LIC methods through the R554 million allocation, NT responded to COGTA on the 06 October 2020 indicating that only R50 million was approved for MISA to assist targeted municipalities to promote intensive labour methods in the implementation of roads, water and sanitation projects within the realm of existing conditional grants. This decision by NT prompted MISA to re-table its revised APP to refocus the indicator on the institutionalisation of LIC methods in municipal infrastructure projects targeting 15 municipalities, as opposed to the creation of 25 000 job opportunities.

3.

PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: ADMINISTRATION

Purpose: The Administration Programme ensures effective leadership, strategic management and administrative support to MISA 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

The 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 facilitates the formulation of the strategic plan and annual performance plan. It is also responsible for institutional performance assessment and for conducting programme evaluations.

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 the information and knowledge management function.

Internal Audit Services reports to the Chief Executive Officer for administrative purposes and functionally to the Audit Committee. It provides internal audit services to the organisation and 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

The 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 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 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 MISA's website.

3.1.3. Sub-programme: Financial Management Services

Financial Management Services manages and facilitates 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 oversees 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.

3.1.4. Programme Institutional Outcome(s) Contribution

The programme contributes to the following outcome(s):

- Improved governance, administrative support system and ethical practices.

Re-Tabled Annual Performance Plan 2020/21

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
Improved governance, administrative support system and ethical practices.	Approved communication strategy.	Approved communication strategy implemented.	New indicator	Approved communication strategy implemented.	Approved communication strategy implemented	Achieved Approved communication strategy implemented	N/A	N/A
	Risk Management Plan	Annual risk management plan implemented	New indicator	Annual risk management plan implemented.	Annual risk management plan implemented.	Achieved Annual risk management plan implemented.	N/A	N/A
	Internal audit plan	Annual internal audit plan implemented.	New indicator	Annual internal audit plan implemented.	Annual internal audit plan implemented.	Achieved Annual internal audit plan implemented.	N/A	N/A
	Approved ICT Operational Plan	Approved ICT operational plan implemented.	ICT Operational Plan approved by 30 April each year and implemented.	Approved ICT operational plan implemented.	Approved ICT operational plan implemented.	Achieved Approved ICT operational plan implemented.	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Unqualified audit opinion on the annual financial statements	Achieve unqualified audit opinion on annual financial statements	Unqualified audit opinion on annual financial statements	Unqualified audit opinion without material findings (clean audit) on annual financial statements for the 2018/19 financial year.	Achieve unqualified audit opinion on annual financial statements 2019/20	Achieved Unqualified audit opinion without material findings (clean audit) on annual financial statements for the 2019/20 financial year.	N/A	N/A
	Approved procurement plan	Approved procurement plan implemented	Procurement plan approved and submitted to National Treasury by 31 March each financial year	Procurement plan approved and implemented.	Approved procurement plan implemented	Achieved Approved procurement plan 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.

Linking Performance with Budget

Programme	2020/21			2019/20		
	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	91 969	82 865	9 104	94 421	90 018	4 403

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 about 10% 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 90% as at 31 March 2021.

3.2 PROGRAMME 2: TECHNICAL SUPPORT SERVICES

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

The Programme consists of the following sub-programmes:

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 on 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 of 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 supports municipalities in the recruitment of qualified technical personnel and mentoring of learners placed in municipalities for workplace learning.

3.2.4. Programme Institutional Outcome(s) contribution

The programme contributes to the following outcome(s):

- Effective water management system for the benefit of all;
- Efficiency in infrastructure management;
- Enhanced intergovernmental and interdepartmental coordination through the implementation of the DDM;
- A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas; and
- Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase households' access to basic services.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements Table

Re-Tabled APP: 09 July 2020

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21 until date of re-tabling	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
Efficiency in infrastructure management	Artisans placed in municipalities	Number of Artisans placed in municipalities	39	N/A	20	0	-20	Discontinuation of the Programme	The indicator was removed due to budget cuts.
	Water and wastewater process controllers placed in municipalities	Number of water and wastewater process controllers placed in municipalities	31	N/A	50	0	-50	Discontinuation of the Programme	The indicator was removed due to budget cuts.

Re-Tabled APP: 20 July 2020

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21 until date of re-tabling	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
Efficiency in infrastructure management	Jobs created through labour-intensive infrastructure maintenance in municipalities	Number of jobs created through labour-intensive infrastructure maintenance in municipalities	New Indicator	New Indicator	25 000	0	-25 000	The original plan and budget were not approved, only the revised business case focussing on improving MISA capacity and systems for institutionalising LIC methods in municipalities was approved.	The business case approved by NT was for MISA to capacitate themselves to be in a better position to support municipalities with enhancement of labour-intensive construction methods.

Re-Tabled Annual Performance Plan 2020/21

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
Effective water management system for the benefit of all	Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented	Number of Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented	10	20 municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	10	Achieved 10 Districts supported with development or implementation of WC/WDM strategies.	N/A	N/A
Efficiency in infrastructure management	Districts with implemented infrastructure Operations and Maintenance Plans.	Number of Operations and Maintenance plans implemented in districts	N/A	20 municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	30	Achieved 30 Districts supported with implementation of Operations and Maintenance plans	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Municipalities supported to implement infrastructure programmes/projects through Labour Intensive methods.	The number of municipalities supported to implement infrastructure programmes/projects through Labour Intensive methods.	New	New	15	Not Achieved Progress report (Business Case approval, consultation with stakeholders, etc.) developed.	-15	Targeted municipalities were only identified and services providers appointed in March 2021 due to delays in the approval of a revised business case and allocation of funds.
	Districts with improved spending on MIG	Number of districts with improved MIG spending to at least 90%	New	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.	44	Not Achieved 11 out of 44 districts were able to improve their expenditure to at least 90% of their total allocation.	-33	Due to Financial Management challenges (delays at procurement, cash flow challenges in municipalities), Lack of Technical Capacity (affects reporting on MIS, project preparation and management), Council and administrative instability that renders flouting of certain requirements.

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Youth enrolled in the MISA Apprenticeship Programme	Number of youth enrolled in the MISA Apprenticeship Programme	303	134 Learners enrolled into the MISA Apprenticeship Programme	100	Achieved 104 Apprentices enrolled into the programme	+4	A higher target was set for recruitment purposes to mitigate against candidates declining the MISA offer or leaving the Programme for various reasons.
	Youth enrolled in the MISA Experiential Learning Programme	Number of youth enrolled in the MISA Experiential Learnership Programme	103	75 Learners enrolled in MISA Experiential Learnership Programme	70	Not Achieved 30 Experiential Learners enrolled in the Programme.	-40	Recruitment process affected by COVID-19 restrictions, i.e. delayed advertisement, prolonged response handling, and delayed finalisation of criminal record checks and verification of qualifications.

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Youth enrolled in the MISA Young Graduate Programme	Number of Youth enrolled in the MISA Young Graduate Programme	85	137 Candidates enrolled into MISA Young Graduates programme	150	Not Achieved 114 Young Graduates enrolled in the programme	-36	Recruitment process affected by COVID-19 restrictions, i.e. delayed advertisement, prolonged response handling, and delayed finalisation of criminal record checks and verification of qualifications.
	Youth awarded MISA bursaries to study towards technical qualifications relevant to local government infrastructure management	Number of youth awarded MISA bursaries in technical qualifications relevant to local government infrastructure management	202	132 students provided with bursaries for studies in technical professions.	75	Achieved 75 students awarded with bursaries	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Municipal officials trained in municipal infrastructure management	Number of municipal officials trained in municipal infrastructure management	557	291 municipal officials provided with technical skills training	250	Achieved 482 Municipal officials trained in municipal infrastructure management	+232	The reported over-achievement of 232 municipal officials trained was due to high demand for the offered courses and suspension of post training hands-on support activities.
	Municipal officials capacitated through recognition of prior learning programmes	Number of municipal officials enrolled in MISA Recognition of Prior Learning (RPL) programmes	50	49 municipal officials enrolled in the MISA ARPL programme.	100	Achieved 123 municipal officials enrolled into the programme	+23	The reported over-achievement of 23 enrolled officials was due to the mitigation plans put in place to avoid risks associated with COVID-19 pandemic, such as officials not able to attend assessment and/or training sessions

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Municipal capacity development plans implemented	Number of municipal capacity development plans implemented	7	Draft capacity development plans for 8 municipalities finalised and MCDP implementation progress reports for seven municipalities compiled.	15	Achieved 15 MCDP's implemented in municipalities	N/A	N/A
Enhanced intergovernmental and interdepartmental coordination through the implementation of the District Development Model	Districts supported with the implementation of district-wide infrastructure plans	Number of districts with implemented district-wide infrastructure plans	New	New	23	Achieved 23 Districts supported with implemented district-wide infrastructure plans.	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas	Implemented SPLUMA compliant municipal spatial plans, Spatial Development Framework (SDF's) and Land Use Schemes in districts	Number of SPLUMA Compliant municipal spatial plans, SDF's and land-use schemes implemented in districts	2	30 municipalities supported with the development and implementation of SPLUMA compliant plans (Land Use Management Schemes (LUMS), SDFs, IDPs, By-Laws, NSDF) and IUDF.	30	Achieved 30 Districts supported with implementation of SPLUMA Compliant municipal spatial plans, SDF's and land-use schemes.	N/A	N/A
Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services	Districts with increased household access to reliable water services	Number of districts with implemented standard operating procedures for reliable water services	New	New	10	Achieved 10 Districts supported with implemented standard operating procedures for reliable water services.	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Districts with increased household access to sanitation services	Number of districts with implemented standard operating procedures for improved households access to sanitation services	New	New	10	Achieved 10 Districts supported with implemented standard operating procedures for improved household access to sanitation services.	N/A	N/A
	Districts with reduced waste disposal to landfill sites	Number of districts supported implement Integrated Waste Management (IWM) plans	New	New	10	Achieved 10 Districts supported with to implement Integrated Waste Management (IWM) plans.	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Districts with increased households' access to reliable electricity services	Number of districts supported with implementation of a performance monitoring strategy and electricity supply management strategies	New	New	8	Achieved 8 Districts supported with implementation of a performance monitoring strategy and electricity supply management strategies	N/A	N/A
	Districts with implemented Regional Management Support Contract (RMSC) Programme	Number of districts supported with implementation of the Regional Management Support Contract (RMSC) Programme	New	New	10	Achieved Three (3) districts supported with implementation of the Regional Management Support Contract (RMSC) programme	N/A	N/A

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	Districts with implemented infrastructure inspectorate's assessment reports.	Number of districts supported with the compilation and implementation of infrastructure functionality assessment reports.	New	10 of 18 targeted district municipalities were supported with water and sanitation infrastructure functionality assessments.	10	Achieved Municipal infrastructure functionality assessments have been conducted and reports developed in 11 District Municipalities.	+1	Additional assessment of boreholes in Capricorn DM was conducted following a request by the municipality.

Strategy to Overcome Areas of Under Performance

MISA will in addition to the development of acceleration plans for supporting municipalities underperforming with 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. This is to respond to COVID-19 interventions and this strategy will also expedite MIG expenditure towards the required target of 90% by end of June 2021.

MISA has accelerated the execution of the Labour-Intensive Construction (LIC) project through the appointment of service providers that will assist the Municipalities in designing programmes that are LIC compliant. The programmes will be monitored on a monthly basis to make sure that the indicator will be achieved at the end of the financial year.

As the key stakeholder in the implementation of the DDM, MISA has taken an approach to coordinate all sector departmental inputs towards infrastructure delivery providing an opportunity to address some of the obstacles that contributed to non-achievement of indicators. Furthermore, the re-structuring of programmes i.e., the Young Graduate programme supplementing the core programmes in providing technical support will improve service delivery and how expected outputs are achieved.

Covid-19 restrictions delayed the finalisation of targeted Experiential Learners' recruitment process, due to inadequate support from institutions responsible for qualifications verification and Criminal Record Checks (CRC) of the applicants. Appointment of these Experiential Learners will be concluded during the first quarter of 2021/22 financial year. COVID-19 restrictions delayed the recruitment process of targeted Young Graduates, which included face-to-face engagements with host municipalities and applicants. A management decision has been taken to repurpose the Young Graduate Programme in the 2021/22 financial year.

Linking Performance with Budget

Programme	2020/21			2019/20		
	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	291 807	163 005	128 802	290 912	269 356	21 556

The programme underspent mainly on compensation of employees as a result of delayed recruitment of new staff members and youth. The budget and expenditure incurred assisted MISA to deploy technical experts through the engineers and Young Graduates. Furthermore, it contributed to the creation of water efficiencies, it assisted in providing strategies for reduction of water supply backlogs and created improved reliability of water infrastructure. The level of spending over the entire financial year for the programme stood at about 56% as at 31 March 2021.

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-programme 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 the Municipal Infrastructure Grant (MIG) programme. The MIG programme is currently managed by the Department of Cooperative Governance (DCOG) but is provided for under the MISA organisational structure in anticipation of the planned transfer of the programme to MISA.

3.3.4. Programme Institutional Outcome(s) contribution

The programme contributes to the following outcome(s):

- Efficiency in infrastructure management;
- Long term municipal infrastructure investment; and
- Increased access to climate change mitigation and adaptation funds by municipalities.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements Table

Re-Tabled APP: 09 July 2020

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21 until date of re-tabling	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
Efficiency in infrastructure management	Feasibility studies to address misalignment of bulk water and reticulation conducted in prioritised WSA's	Number of feasibility studies to address misalignment of bulk water and reticulation conducted in prioritised WSA's	5	Final feasibility studies reports compiled and approved.	5	Stakeholder mobilisation undertaken within the 5 identified WSA's.	The target was revised to shift from conducting of feasibility studies through a professional service providers (PSP) to supporting municipalities with the integration of the recommended projects in the IDPs of targeted municipalities	Financial Constraints	The output and output indicator were revised due to: <ul style="list-style-type: none"> • limited resources; • anticipated relaxation of restrictions in movements with time; and • Timing of the municipal IDP Processes

Re-Tabled Annual Performance Plan 2020/21

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
Efficiency in infrastructure management	Districts implementing IDMS and Framework Contracts.	Number of districts implementing IDMS.	3	Close-out report on three (3) municipalities supported to implement National Treasury IDMS compiled.	5	Achieved 5 Districts supported with the implementation of IDMS	N/A	N/A
		Number of districts supported to use framework contracts.	4	Report on 58 municipalities supported on the implementation of framework contracts compiled.	15	Achieved 17 Districts supported with the utilisation of the Framework Contracts.	+2	Over achievement was due to higher demand for support by municipalities.
	Municipalities accessing private sector funding for infrastructure development through the Private sector Participation model (PSP model)	Number of municipalities supported to access private sector funding to implement infrastructure projects through the PSP model.	ICT Operational Plan approved by 30 April each year and implemented.	Approved ICT operational plan implemented.	Approved ICT operational plan implemented.	Achieved 14 municipalities supported to access private sector funding to implement infrastructure projects through the PSP model.	+4	Municipalities expressed high interest in the PSP model due to the awareness programme implemented

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
	WSAs supported with the integration of priority projects with the Municipal IDP projects	Number of WSAs supported with the integration of priority projects with the Municipal IDP projects	5	5 Final feasibility studies reports compiled and approved.	5	Achieved 5 WSAs supported with the integration of priority projects with the Municipal IDP projects	N/A	N/A
Long term municipal infrastructure investment	Improved infrastructure investment in municipalities supported with the packaging bankable projects.	Number of districts supported with implementation of long-term infrastructure investment plans.	New	New	5	Not Achieved Engagements held with the 5 municipalities, but no plans were developed for the identified municipalities.	-5	No plans were developed for the identified municipalities; however, support was provided on the implementation of the existing plans in the targeted 5 municipalities.

Outcome	Output	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Reasons for deviations
Increased access to climate change mitigation and adaptation funds by municipalities	Municipal infrastructure projects plans to access funding earmarked for climate change mitigation and adaptation.	Number of municipalities supported to prepare municipal infrastructure project plans to access funding earmarked for climate change mitigation and adaptation.	New	New	5	Not Achieved Engagements held with the 5 municipalities, but no funding agreements have been signed between municipalities and the identified funders.	-5	No funding agreements have been signed between municipalities and the identified funders, as it was realised that the process of concluding funding agreements with the identified financiers is a lengthy process that can take up to 2 years.

Strategy to Overcome Areas of Under Performance

The Infrastructure Financing Chief Directorate will provide continued support to selected municipalities supported during the 2020/21 financial year to address underperformance for the following indicators:

- Number of districts supported with implementation of long-term infrastructure investment plans; and
- Number of municipalities supported to prepare municipal infrastructure project plans to access funding earmarked for climate change mitigation and adaptation.

Linking Performance with Budget

Programme	2020/21			2019/20		
	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	38 377	19 257	19 120	42 380	41 938	442

The programme focused on supporting municipalities with the institutionalization of the Infrastructure Delivery Management System (IDMS) in order to improve planning, delivery and procurement of infrastructure goods, services and works. The programme also provides municipalities with alternative procurement strategies through the use of framework contracts to improve infrastructure procurement efficiencies and shorten procurement periods. All these programmes were implemented utilising the operational budget.

The coordination of stakeholders that have a role in the municipal infrastructure development value chain is critical. MISA utilised its personnel and budget to facilitate engagements with the various stakeholders for infrastructure planning, preparation, financing, procurement, execution, operations, and maintenance. The financial resources allocated for projects under the goods and services item contributed to supporting municipal compliance with the Infrastructure Delivery Management System, addressing the misalignment of bulk water and reticulation services in priority municipalities and implementation of the regional management support contract (RMSC). In the year under review municipalities (WSAs) were supported with the integration of priority projects with the Municipal IDP projects. Priority projects recommended as part of the misalignment of bulk water and reticulation assessment and prioritised by respective municipalities under this programme were integrated in the IDPs of respective municipalities, for ease of funding and implementation. This Key Performance Indicator (KPI), Misalignment of bulk water and reticulation, has now been moved to the TSS branch for implementation. The IDMS team will provide support whenever there is a need. This KPI will be reported under TSS in the new financial year.

The operational budget, mainly on compensation of employees, contributed towards the progress that has been achieved by the sub-programme, especially on the establishment of partnerships and collaborations with strategic partners and potential investors through roadshows, workshops and awareness campaigns with priority municipalities. The level of spending over the entire financial year for the programme stood at about 50% as at 31 March 2021.

4.

MISA Institutional Response to the COVID-19 Pandemic

Progress on Institutional Response to the COVID-19 Pandemic

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Drilling and Equipping of 7 Boreholes	Ngquza Hill LM in OR Tambo DM (Eastern Cape)	1895 House Holds (HH)	Emarhamzeni village (301 HH) Lower Hlabathi village (326 HH) Mdeni village (156 HH) Kwacoka village (223 HH) Mqhume village (350 HH) Ngwenyeni village (350 HH) Upper Hlabathi village (189 HH)	R 3 045 000.00	R 3 045 000.00	N/A	Portable water for the selected beneficiaries.
Drilling and Equipping of 1 Borehole	Nyandeni LM in OR Tambo DM (Eastern Cape)	51 HH	Mpindweni village (51 HH)	R 500 000.00	R 0.00*	N/A	Portable water for the selected beneficiaries Project is to be relocated due to access challenges.

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Drilling and Equipping of 1 Borehole	Ngquza Hill LM in OR Tambo DM (Eastern Cape)	650 HH	Vlei (C area, Zidakweni) (650 HH)	R 366 000.00	R 366 000.00	N/A	Vlei covered through DBSA funding. Portable water for the selected beneficiaries
Drilling and Equipping of 2 Borehole	Elundini LM - Ezingonyameni Nygel (Ugie Rural) (Eastern Cape)	749 HH	Elundini LM - Ezingonyameni Nygel (Ugie Rural)	R 1 000 000.00	R 0.00	N/A	Projects being funded by DBSA. Projects awarded in April 2021 and drilling has started on site.
Drilling and Equipping of 2 Boreholes	Dawid Kruiper LM in ZF Mgcawu DM (Northern Cape)	700 HH	<ul style="list-style-type: none"> • Kalksloot (500HH) • Swartkop Dam (200HH) 	R 850 000.00	R 850 000.00	N/A	Potable water for COVID-19 relief
Drilling and Equipping of 2 Boreholes	Ubuhlebezwe LM in Harry Gwala DM (KwaZulu-Natal)	600 HH	Springvalley Village - 600 HH	R 899 702.50	R 899 702.50	N/A	Portable water for the beneficiaries.

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Refurbishment: equipping borehole with solar power supply and static Jojo Tank	KZN - Harry Gwala DM - Dr Nkosazana Dlamini-Zuma LM	230 HH	Ward 9 - Fatima (Nkwezela) 230 HH	R 4 978 230.40	R 4 900 000.00	N/A	Portable water for the beneficiaries.
Refurbishment: equipping borehole with solar power supply and static Jojo Tank		125 HH	Ward 9 - Drayini (Nkwezela) 125 HH			N/A	Portable water for the beneficiaries.
Refurbishment: equipping 3 X boreholes with solar power supply and static Jojo Tanks		56 HH	Ward 11 - Bhidla			N/A	Portable water for the beneficiaries.
Siting, drilling and equipping of a new borehole, solar power supply and Jojo Tank with standpipes		68 HH	Ward 12 - Phosana 68 HH			N/A	Portable water for the beneficiaries.

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Refurbishment: equipping borehole with solar power supply and static Jojo Tank		80 HH	Ward 12 - Mnyamana - 80 HH			N/A	Portable water for the beneficiaries.
Refurbishment of eMondlo Waste Water and Water Works in the Abaqulusi Local Municipality	Abaqulusi Local Municipality (KwaZulu-Natal)	4900 HH	Wards 16, 17, 18, 19 and 20 (eMondlo)	R 40 000 000.00	R 30 326 034.08	N/A	Adequate sanitation services and hygiene for beneficiaries.
Construction of Water Supply Infrastructure for Enyathi and Bhokwe Villages	Ward 5 of Abaqulusi Local Municipality (KwaZulu-Natal)	250 HH	Bhokwe Quarters, Bhokwe Hostels, Golozela, Mahowane, Mafuta, Mzimba MaQhuzu, Buffalo, Mbali Hostel, Berea & Skomplaas Townships	R19 390 035.54	R 18 390 035.50	N/A	Portable water for COVID-19 relief.

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Drilling and Equipping of 2 Boreholes	Maluti-a-Phofung LM in Thabo Mofutsanyana DM (Free State)	475 HH	Tseki (400HH)	R 1 000 000.00	R 0.00	N/A	Portable water for COVID-19 relief.
Refurbishment of 8 Water Pump Stations in Qwaqwa	Maluti-a-Phofung LM in Thabo Mofutsanyana DM (Free State)	16 778 HH	<ul style="list-style-type: none"> • Bolata (4359 HH) • Makwane (5577 HH) • Mangaung (2747 HH) • Sejwalejwale (255 HH) • Thabang (1502 HH) • Tseki (2338 HH) 	R 8 000 000.00	R 0.00	Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented.	Portable water for COVID-19 relief.
Drilling and Equipping of a Borehole	Phumelela LM in Thabo Mofutsanyana DM (Free State)	700 HH	Thembalihle (700 HH)	R 1 500 000.00	R 442 218.13	N/A	Potable water for COVID-19 relief.
Drill and equip 5 x new boreholes	Fetakgomo-Tubatse (Limpopo)	429 HH	429 HH	R 2 500 00.00	R 1 980 238.18	N/A	<ol style="list-style-type: none"> 1. More clean water per capita per day 2. Improved access to clean water

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Drill and equip 5 x new boreholes Replace 1 x pump at WTW Replace 1 x pump at pumpstation	Greater Giyani (Limpopo)	4090 HH	4090 HH	R 3 500 000.00	R 1 200 000.00	N/A	1. More clean water per capita per day 2. Improved access to clean water.
3 x Water tankers purchase	Mopani DM (Limpopo)	10 500 HH	10 500 HH	R 3 900 000.00	R 3 900 000.00	N/A	Potable water for COVID-19 relief.
Drill and equip 6 x new boreholes and refurbish 16 x existing ones	Greater Letaba (Limpopo)	2904 HH	2904 HH	R 4 128 750.00	R 1 427 351.27	N/A	Potable water for COVID-19 relief.
Energizing already drilled 9 boreholes powered with Solar in Derby, Spitkop and Moedwill	Kgetlengrivier LM (Derby, Spitkop and Moedwill) (North West)	1844 HH	<ul style="list-style-type: none"> • Derby (1844HH) • Spitkop (78HH) • Moedewills (344HH) 	R 1 300 000.00	R 1 260 389.80	N/A	Potable water for COVID-19 relief.

Programme: Technical Support Services							
Intervention	Geographic Location (Province/District/ local municipality) (Where possible)	No. of beneficiaries (Where possible)	Disaggregation of Beneficiaries (Where possible)	Total Budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Sitting, drilling, equipping with two pumps, construction of two pump houses, security fencing, connection into the existing water network and powered with solar in Rastegae and Moedwill.	Kgetlengrivier LM (Ratsegae and Moedwill) (North West)	453 HH	<ul style="list-style-type: none"> • Ratsegae (152HH) • Modeswill (344HH) • Spitkop (78HH) 	R 1 000 000.00	R 0.00	N/A	Potable water for COVID-19 relief.
Refurbishing of non-functional boreholes/ Sitting of eight (8) site boreholes, drilling, equipping with pumps, building the pump house, security fencing, tank with a tank stand, connection into the existing water network and energising with ESKOM in Lethabile	Madibeng LM - Lethabile (North West)	3680 HH	Lethabile 3680 HH	R 2 962 860.00	R 0.00	Districts with implemented infrastructure Operations and Maintenance Plans.	Potable water for COVID-19 relief.

* Projects with zero (0) balances indicated against them, is DBSA funded projects. These projects has not been completed during the year in review, with implementation of these projects continuing in the 2021/22 financial year. DBSA processes do not allow for trench payments, it only allows for payment of the full allocated budgeted amount, when the projects has been fully completed.

Narrative Report on the External and Internal Interventions implemented in response to the COVID-19 pandemic

External Environment

The nation-wide lockdown introduced at the end of March 2020 following the declaration of the national state of disaster in response to the outbreak of the COVID-19 pandemic by the President of the Republic of South Africa fundamentally changed the operational environment for both MISA and municipalities. MISA's institutional response to the COVID-19 pandemic included amongst others, the drilling of boreholes, the purchasing of water tanks, equipping boreholes with solar power, construction of pump houses and refurbishment of existing boreholes. MISA spend a total of R48 million, KZN Cogta further R20 million and further R41 million was provided by social partner Development Bank of South Africa (DBSA) towards COVID-19 interventions within the following six (6) provinces; Eastern Cape, Northern Cape, Kwazulu Natal, Free State, North West and Limpopo. The table above shows that the interventions undertaken by MISA towards our COVID-19 response benefitted over 52 000 households across 6 district and 14 local municipalities.

In addition to the above response MISA contributed to the employment stimulus package of Presidency by facilitating the creation of 25 000 job opportunities for the unemployed through labour-intensive infrastructure maintenance in municipalities across the 52 districts spaces. This Employment Stimulus Package seeks to build a new economy through public investment in a mass employment strategy.

MISA intervention entailed siting, drilling, yield testing, water quality testing, equipping, and commissioning of borehole infrastructure (2 boreholes) in Ward 9 (Springvalley) of Ubuhlebezwe Local Municipality and Dr Nkosazana Dlamini-Zuma Local Municipality in KZN. In Eastern Cape, ward 22 to 28 of Nquza Hill Local Municipality was selected due to that the communities are walking long distances to fetch water and sometimes sharing the water with animals and there is high exposure for these communities to diseases as a result. Then, MISA seen an urgent need for alternative water relief projects for Ngquza Hill ward 22 to 28 by drilling. MISA has also completed the construction of a water supply infrastructure for Enyathi and Bhokwe Villages in the Abaqulusi LM in KZN. This project was handed over to the communities of Enyathi and Bhokwe, with approximately 250 households set to benefit from this project. In partnership with KZN Cogta, MISA also undertook the refurbishment and upgrade of the Emondlo Wastewater Treatment Works in the Abaqulusi LM in KZN. This project is earmarked for completion in the 2021/22 financial year, with 4 900 households expected to benefit upon the completion of the project.

DBSA has made available extra funds for drilling and equipping of boreholes in the Eastern Cape, two boreholes were drilled in ORTDM, and another two boreholes were drilled in JGDM as indicated in the table above. All four sites were handed over to the contractor on the 24th July 2020, and the estimated completion date was 30th August 2020. Unfortunately, the Contractor appointed by DBSA only conducted ground water surveys/siting of the boreholes and drilled one borehole in Ngquza Hill LM. The contractor was slow to implement the project, therefore MISA advised DBSA to terminate the contract. In response to COVID 19 pandemic and to ensure availability of potable water to aid in the fight of the COVID 19 pandemic, MISA undertook to drill and equip two boreholes at Kalksloot and Swartkop Dam one per each of the communities. In addition the Department of Water and Sanitation provided storage tanks and water trucks to high- and medium density informal areas with unreliable or no water supply and soap, bleach and hand sanitizer. A total of 897 water storage tanks and 60 water tankers were distributed across Northern Cape Province.

Two Local Municipalities, Maluti-a-Phofung and Phumelela Local Municipalities in Free State were identified for DBSA funding under the Covid-19 water and sanitation intervention projects. The DBSA intervention of 2 boreholes in Tseki proved to be a timely gift for the Community, with 475 households benefitting from the area. The area had not had water for years and to make matters worse Tseki in Maluti-a-Phofung was not benefitting from water tankering so there was a real water crisis. The 2 boreholes have alleviated a severe water crisis in these communities. In addition the Department of Water and Sanitation provided storage tanks and water trucks to high- and medium density informal areas with unreliable or no water supply and soap, bleach and hand sanitizers. A total of 1 027 water storage tanks and 131 water tankers were distributed across Free State Province.

Municipalities who envisaged under expenditure were requested to reprioritize the MIG funds towards implementation of water and sanitation projects as part of COVID-19 intervention. In addition, the Department of Water and Sanitation provided storage tanks and water trucks to high- and medium density informal areas with unreliable or no water supply. Soap, bleach and hand sanitizers were also distributed to assist to try and curb the spreading of COVID-19. As at 15 June 2020, a total of 905 water storage tanks and 34 water tankers were distributed across Limpopo Province.

In response to COVID-19 pandemic and to ensure availability of potable water to aid in the fight of the COVID-19 pandemic, MISA undertook to refurbish, drill and equip boreholes in Sekhukhune and Mopani districts, as well as provide water tankers to Mopani district. These projects were funded by DBSA in collaboration with MISA. Furthermore, DBSA funded projects in Derby, Spitkop and Moedwill by reenergizing already drilled 9 boreholes powered with Solar and to Sitting, drilling, equipping two pumps, construction of two pump houses, security fencing, and connection into the existing water network and powered with solar in Rastegae and Moedwill in Madibeng Local Municipality.

These villages mentioned above in the table were selected for MISA intervention following complaints received from the communities as the areas did not have reliable water supply. The establishment of COVID 19 National, Provincial and District Joint Operating Centres monitored the implementation of COVID 19 intervention at all spheres of government. MISA is serving on these structures to provide technical support.

Internal Environment

The Minister of Cooperative Governance (the Minister) declared a national disaster on 15 March 2020, subsequent to which regulations were issued in terms of the Disaster Management Act providing measures for the containment of the spread of the coronavirus. The regulations were followed by directives issued by, amongst others, the Ministers of the Public Service and Administration and Employment and Labour supplementing the regulations in respect of service delivery and business continuity for the public service during COVID-19 pandemic, and COVID-19 Occupational Health and Safety Measures in the Workplace respectively. Circulars were issued by the Director-general (DG) of the Department of Public Service and Administration guiding Accounting Officers on dealing with COVID-19 in their institutions in line with the regulations and directives.

In line with these prescripts, a COVID-19 Workplace Plan was developed addressing specific measures that MISA would put in place so as to minimise the spread of the virus. These measures include the designation of the Compliance Officer and establishment of the COVID-19 Steering Committee to oversee the implementation of the measures; the development of guidelines and protocols for dealing

with the pandemic; the procurement and distribution of personal protective equipment (PPE) to employees (including surgical and cloth masks, latex gloves, sanitisers, thermometers); issuing of permits at different alert levels for those employees involved in the implementation of programmes in provinces; communication materials were circulated regularly and posters were placed in MISA buildings to make employees aware of the virus; distance markings were done in areas likely to have many people gathered; employee workspaces were rearranged to facilitate social distancing and regularly disinfected. MISA recorded twenty-two COVID-19 cases during the financial year, and all the cases were reported to the Department of Public Service and Administration. In case where these employees had come into close contact with other employees, affected individuals were traced and advised to self-quarantine for the prescribed period. A total amount of R710 153.77 was spent on COVID-19 PPE during the financial year under review.

5.

REVENUE COLLECTION

Sources of Revenue	2020/21			2019/20		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of Tender Documents	-	-	-	-	-	-
Sale of scrap Assets	-	-	-	-	31	(31)
LGSETA Grant for Apprenticeship Programme	-	2 411	(2 411)	-	-	-
Interest Received	-	3 778	(3 778)	-	3 350	(3 350)
TOTAL	-	6 189	(6 189)	-	3 381	(3 381)

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 a capital nature during the period under review.



PART C: GOVERNANCE

ANNUAL REPORT 2020/21 FINANCIAL YEAR

1.

INTRODUCTION

The Municipal Infrastructure Support Agent (MISA) is a government component established in terms of Section 7(5) (c) of the Public Service Act (Proclamation 103 of 1994). Its main objective is to render technical advice and support to municipalities to enable optimal provision of basic services infrastructure. The Chief Executive Officer (CEO) of the Municipal MISA is the accounting officer for the entity in terms of Section 36(3) (b) of the Public Finance Management Act, No. 1 of 1999, as amended. As a ring-fenced component within the Cooperate Governance and Traditional Affairs (CoGTA) portfolio, MISA is directly accountable to the Minister as the designated Executive Authority (EA) for the portfolio. The Minister, in turn, accounts for MISA's operations and performance to Parliament, as the ultimate oversight authority over the work of the Executive in government. MISA has since established a robust system of governance and accountability that has enabled it to consistently comply with relevant legislation, effectively applied its internal controls, managed key risks and maintain a reasonably high level of performance against its annual performance plan targets.

Sound governance is maintained by conducting the entity's businesses in line with internal policies, consistent implementation of internal control system, promoting ethical behaviour, enforcing the Code of Conduct and reinforcing a culture of high performance among employees. For the purposes of accountability in terms of the PFMA, MISA is required to operate and report on its financial performance in line with the prescripts applicable to trading entities. Various assurance structures have been established to draw management's attention to internal control weaknesses and emerging risks that might hamper the achievement of the entity's objectives. Two key assurance providers are Internal Audit and the Audit Committee. Internal Audit contributes to the maintenance of sound governance by conducting reviews on various operational areas within the entity. The Audit Committee performs an oversight function as outlined in the Audit Committee Charter. Management within MISA assumes full responsibility under the guidance of the CEO for the entity's operations aimed at the fulfilment of its allotted mandate.

2.

PORTFOLIO COMMITTEES

MISA was invited to brief the Portfolio Committee on Cooperative Governance and Traditional Affairs and the Select Committee on CoGTA, Water, Sanitation and Human Settlements to present the five-year strategic plan and annual performance plan (APP) 2020/21 and the annual report for 2019/20. 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 and Traditional Affairs	08 May 2020	Presentation of MISA's Five-Year Strategic Plan 2020 - 2024 and (APP) 2020/21	None	None

Committee	Date of Meeting	Focus Area	Areas of Risk	Remedial Actions Implemented
Select Committee on Cooperative Governance and Traditional Affairs, Water, Sanitation and Human Settlements	18 May 2020	Presentation of MISA's Five-Year Strategic Plan 2020 – 2024 and (APP) 2020/21	MISA was directed to submit a list of municipalities targeted for support in 2020/21 and also describing types of projects to be implemented in each municipality.	The list was submitted to the Committee as requested.
Portfolio Committee on Cooperative Governance and Traditional Affairs	01 Dec 2020	Presentation of the 2019/20 annual report for MISA	Persisting resource constraints is likely to hamper the entity's efforts to extend support to some struggling municipalities and the implementation of impactful programmes.	All attempts to obtain additional resources from the fiscus did not yield positive results and management has decided to explore raising revenue from alternative sources to augment the allocations by National Treasury.

3. EXECUTIVE AUTHORITY

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

Report Submitted	Date of Submission	Comments by the Executive Authority	Action Taken
Fourth Quarter 2019/20 Performance Report	21 May 2020	N/A	N/A
First Quarter 2020/21 Performance Report	29 July 2020	The Minister sought to understand measures by MISA to ensure engagements with stakeholders when face to face meetings are not possible.	MISA undertook MS Teams or Zoom meetings, in instances where face to face meetings were not possible.

Report Submitted	Date of Submission	Comments by the Executive Authority	Action Taken
Second Quarter 2020/21 Performance Report	29 October 2020	N/A	N/A
Annual Report for 2019/20	06 October 2020	N/A	N/A
Third Quarter 2020/21 Performance Report	28 January 2021	The Minister wanted to know will MISA still be able to improve on the other targets they did not achieve during the quarter.	Performance recovery plans were developed for those targets not achieve to assist towards their achievement in the final quarter of the financial year.

4.

THE ACCOUNTING AUTHORITY / BOARD

During the financial year 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). This section provides the option for the Executive Authority to appoint an Advisory Board for a government component. The option of appointing an Advisory Board for MISA has not been exercised since its establishment. In the event that this option of appointing an Advisory Board for the entity is exercised, its role will be limited to advising both the Executive Authority and the Chief Executive Officer (CEO) on matters relating to the delivery of municipal infrastructure and the role in supporting municipalities. The legislation does not assign the executive authority to the envisaged Board.

5.

RISK MANAGEMENT

The Risk Management Policy and Strategy for MISA were reviewed and approved by the Accounting Officer during the financial year under review. These policy documents were presented to the Audit Committee to ensure that they comply with the National Treasury Framework for managing Risks. The Strategic Risk Assessment for 2020/21 was 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 assessment was also conducted, and the emerging risk monitoring report signed-off by the relevant Programme Managers. This risk register was used to direct internal audit's focus and priorities. Progress on Programme Risk registers were continuously monitored and reviewed by the Risk Management Committee through the quarterly risk management meetings.

MISA has a functional Risk Management Committee chaired by an external and independent person. Members were formally appointed by the Accounting Officer and complied with the approved terms of reference. The Risk Management Committee meets on a quarterly basis to evaluate and monitor risks identified and advise on improvements. In strengthening the process of monitoring risks and improving governance, risk management reports are also discussed at management meetings to ensure that timeous mitigation of risks is implemented to improve organisational performance.

MISA introduced the Combined Assurance model as recommended by the Audit Committee. The main objective is to integrate, coordinate and align assurance processes to optimize and maximize the level of risk, governance and control oversight over the risk landscape.

The Risk Management Unit plays a pivotal role by advising management to conduct real-time risk assessment, which proactively addresses key strategic risks in the organisation. The Audit Committee comments on the effectiveness of Risk management within the organisation, which must be aligned to the organisational objectives, and the entity's performance. For the period under review, there was a reasonable improvement in addressing identified strategic risks, which led to the improved control environment in the last two quarters of the financial year. MISA aims to improve its risk management processes by embedding risk management in the entity's day-to-day activities to ensure that the strategic objectives of the entity are achieved.

6. INTERNAL CONTROL UNIT

The Internal Control unit 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 MISA 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 an accurate register of MISA policies and reported to the Audit Committee every quarter about the status of policies.
- Monitored, reviewed and reported 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

Internal Audit derives its mandate from the Public Finance Management Act (PFMA). It is administratively accountable to the Accounting Officer and functionally reports to the Audit Committee. The Unit is required to prepare its plans 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. The unit performed the following activities in line with its approved annual plan:

- 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.
- A periodic annual assessment for the 2020/21 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's control assessment opinion is based on the results of all the audits performed by Internal Audit for the year ended 31 March 2021 as follows:

Auditable Area	Assessment by Internal Audit
1. Review of Annual Financial Statements (2019/20)	Need Improvements ●
2. Review of Interim Financial Statements (2020/21)	Adequate ●
3. Review of Predetermined Objectives-Q4	Adequate ●
4. Review of Predetermined Objectives-Q1	Adequate ●
5. Review of Predetermined Objectives-Q2	Adequate ●
6. Review of Predetermined Objectives-Q3	Adequate ●
7. Review of Post Audit Action Plan-Q4	Need Improvements ●
8. Review of Post Audit Action Plan-Q1&Q2	Need Improvements ●

Auditable Area	Assessment by Internal Audit
9. Review of Post Audit Action Plan-Q3	Need Improvements ●
10. Review of Payroll Management	Adequate ●
11. Review of Travel and Accommodation	Need Improvements ●
12. Review of Subsistence and Travelling	Adequate ●
13. Review of Supply Chain Management	Adequate ●
14. Review of IT Cyber Security	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:

Overall Opinion	Description
● Adequate	Controls in place provide reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.
● Need Improvements	Controls in place provide some assurance that the organization's risks have been managed however considerable improvement is needed to effectively manage the risk and ensuring that goals and objectives are achieved efficiently and economically.
● Need Improvements	Controls in place do not provide reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Overall Assessment of Controls Environment

● **Need Improvements**

Our overall assessment of the environment is as shown above - Needs Improvement.

This is supported by facts outlined in sections below.

Governance - ● Need Improvements

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 - ● Need Improvements

The risk function is currently coordinated within the office of the CEO. 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 Independent Chairperson. Strategic and operational risk workshops have been undertaken and the risk registers are in place and monitored regularly.

Internal Controls - ● Need Improvements

The audit reviews are undertaken in 2020/21 generally show that the system of internal control needs 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 Audit 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, internal controls and governance.

7.4 Attendance of Audit Committee Meetings by Members

In the year under review the Audit Committee comprised five Independent Members and was chaired by Mr Freddy Sinthumule in the first quarter, by Ms Pumla Mzizi in the second and third quarters and by Dr Pritish Dala in the fourth quarter of the year. 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. Six (6) meetings were held for the financial period ended 31 March 2021. During the period under review, the contract of three members expired, on 31 May 2020 for Mr Sinthumule, Ms D Dondur 30 September 2020 and Ms Mzizi in January 2021.

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	Diploma in Finance & Auditing, BCom Accounting, MBA (Special Project on PFMA)	External Member	Member appointed on 22 July 2013	N/A Contract expired 31 May 2020	1
Ms P Mzizi CA(SA)	B Bus Science Finance (UCT), B Compt (Hons), CTA (UNISA), B Com Hons in Transport Economics (UNISA)	External Member	Member appointed on 22 January 2015	N/A Contract expired 31 January 2021	5
Ms D Dondur CA(SA), Chartered Director(SA) [®]	B Acc, B Compt (Hons), Honours In Business Administration, MBA	External Member	Member appointed on 01 September 2014	N/A Contract expired 30 September 2020	4
Mr L Makibinyane	B.Eng (Hons) (University of Teesside), Post Graduate Certificate: MDP (UNISA), MBL (UNISA)	External Member	Member appointed on 01 July 2020	N/A	4
Dr P Dala	PhD (Information Technology), Masters (Information Technology) and BSc Hons (Computer Science), Bachelor of Information Technology, Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM),	External Member	Member appointed on 01 July 2020 Chairperson appointed on 14 May 2021	N/A	5

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
	<p>Certified Information Systems Security Professional (CISSP), Lead Auditor ISO 27001 (LA ISO 27001), Certified in the Governance of Enterprise Information Technology (CGEIT), Certified in Risk and Information Systems Control (CRISC), Certified Ethical Hacker (CEH), Computer Hacking Forensic Investigator (CHFI) and Certified Data Privacy Solutions Engineer (CDPSE).</p>				
Ms N Lubanga	<p>National Diploma: Internal Auditing (Walter Sisulu University), B Com: Internal Auditing (UNISA), Postgraduate Diploma: Internal Auditing (UNISA), Postgraduate Diploma: General Management (GIBS), Executive Development Programme (WITS Business School), Internal Control and Risk Management (University of Pretoria)</p>	External Member	Member appointed on 01 July 2020	N/A	5

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Ms C Abdoll	(CA) SA, B Compt Honours (UNISA), B Com (University of the Western Cape), Postgraduate Diploma in Internal Audit, Certified Internal Auditing (IIA)	External Member	Member appointed on 01 May 2021	N/A	N/A
Mr S Gounden	CD (SA), (CA) SA, Postgraduate Diploma in Accountancy (UDW), B Compt (UNISA)	External Member	Member appointed on 01 May 2021	N/A	N/A

8.

COMPLIANCE WITH LAWS AND REGULATIONS

MISA has developed an irregular and expenditure framework and a 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 appropriate action plans. Fraud awareness workshops were held 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 Facsimile: 0800 2014 965
SMS: 39772

Alleged cases of fraud and corruption are reported anonymously through the hotline managed by the Public Service Commission (PSC). Reported cases are in turn referred to relevant departments or entities for further investigation. For the financial period under review, no instances of fraud case were reported in relation to MISA.

10. MINIMISING CONFLICT OF INTEREST

The potential conflict of interest in supply chain management (SCM) within MISA is minimised 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 on the same and subsequently sign an acknowledgement thereof.

Furthermore, all new employees are taken through the provisions of the Code as part of their induction. 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

The Occupational Health and Safety (OHS) Committee was established, its members appointed in accordance with the OHS Act, and the terms of reference for the committee were approved by the Accounting Officer. The OHS Policy was also developed and approved after consultations upon with labour. The OHS Committee held four meetings during the financial year under review. The committee, together with the designated fire marshals and first aiders, conducted an inspection of the two buildings occupied by MISA at its head office in Centurion. An inspection report was developed setting out a baseline for future reports of the Committee. This report will form the basis for the development of a plan to improve the buildings’ compliance level. This plan will be finalised by the end of the second quarter of the next financial year.

Following the outbreak of the COVID-19 pandemic in the country in March 2021, it became crucial for management to introduce measures to mitigate the potential spread of the coronavirus within MISA’s work environment. As part of the efforts to protect its employees for infections, the entity procured personal protective equipment for all employees. Management also introduced workplace protocols with the aim of promoting social distancing and minimising the risk of coronavirus transmission among employees. These measures include scanning of employees and visitors at the entrance, cancellation of physical meetings involving large numbers of people and encouraging the use of digital platforms for meetings. These measures were outlined in the COVID-19 workplace plan developed in accordance with the COVID-19 regulations. In line with this plan, a rotation schedule was developed and implemented to reduce the numbers employees in reporting for work on any particular.

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 role 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 2021.

15.1 Responsibility of the Audit Committee

The Committee is established as an independent statutory committee in terms of the PFMA.

The Committee reports that it has complied with its responsibilities arising from sections 38 (1) (a)(ii), 76 (4)(d) and 77 of the PFMA and section 3.1 of the Treasury Regulations. Furthermore, the Committee also reports that it has adopted a formal terms of reference as its Charter and has reviewed as well as discharged all its responsibilities as contained therein.

15.2 THE EFFECTIVENESS OF INTERNAL CONTROL

In terms of section 38 (1) (a)(i) of the PFMA, the Accounting Officer is required to ensure that the entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control, whilst it is the Committee's role to review the effectiveness of internal control systems, governance and risk management.

In line with the PFMA, Internal Audit provides the Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls, governance and risk management, to determine the adequacy and effectiveness thereof, as well as to develop recommendations for enhancement or improvement. The Committee is satisfied that Internal Audit provided assurance in relation to governance, risk management and control as per the approved risk-based audit plan.

Our review of the reports issued by Internal Audit as per the approved internal audit plan, revealed specific control deficiencies in mitigating certain risks, which management committed to resolve through the adoption of various action plans. As such, a Post Audit Action Plan (PAAP) was implemented with regards to all findings raised through internal and external audits, with progress on the implementation of these recommendations monitored by the Committee on a quarterly basis.

Through our analysis of the findings from internal and external audit, we can report that the system of internal controls for the period under review was generally adequate and effective to reduce the risk to an acceptable level.

15.3 RISK MANAGEMENT

The Risk Management Policy and Strategy for MISA have been reviewed and approved by the Accounting Officer.

The Strategic Risk Assessment for 2020/21 has been conducted, and the Risk Assessment report, including the risk register was approved by the Accounting Officer and tabled at the 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 is being monitored during quarterly reviews meetings to ensure that risks are adequately mitigated through the implementation of risk mitigation action plans.

MISA has a functional Risk Management Committee chaired by an external member. Members were formally appointed by the Accounting Officer and executed their responsibilities in accordance with the approved terms of reference. The Risk Management Committee meets on a quarterly basis to evaluate and provide recommendations to further enhance the effectiveness of enterprise risk management, business continuity management, compliance, anti-corruption and fraud as well as combined assurance.

In strengthening the process of monitoring risks and improving governance, MISA has appointed the Risk Champions for each programme to assist the Risk Owners in monitoring the implementation of risk mitigation action plans within the various programmes. Furthermore, Risk Management reports are also discussed at management meetings to ensure timeous mitigation of risks to improve overall organisational performance.

For the period under review, there was reasonable improvement in addressing the identified risks, which led to the further improvements in the control environment. The Committee concluded that management must continue to improve the risk management processes and embed it into the culture, decision-making and day-to-day activities of the entity.

Furthermore, to complement and improve risk management processes, MISA has adopted a Combined Assurance Model aimed at providing a basis for identifying areas of potential assurance gaps and to ensure that all risks are adequately and effectively mitigated. During the period under review, a combined assurance report was prepared and reviewed by the Combined Assurance Committee and with the Committee, who identified aspects for improvement.

15.4 IN-YEAR MANAGEMENT AND QUARTERLY REPORT

MISA management received and reviewed the financial management and performance (predetermined objectives) report at its Quarterly Performance Review Meetings. These reports were also tabled and discussed at the quarterly Committee meetings. The Committee further advised management on measures to improve performance and the implementation of actions to mitigate strategic risks, as well as alignment of organisational performance with spending.

MISA has reported quarterly to the National Treasury and the Executive Authority as is required by the PFMA.

The Committee is satisfied with the quality of the quarterly management reports.

15.5 EVALUATION OF FINANCIAL STATEMENTS

The Committee has reviewed:

- The unaudited financial statements with due consideration of the independent assurance provided by Internal Audit as well as the assurance provided by Management;
- Changes in accounting policies and practices;
- Compliance with legal and regulatory provisions;
- The basis for the going concern assumption, including any financial sustainability risks and issues;
- The unaudited information on predetermined objectives with due consideration of the independent assurance provided by Internal Audit as well as the assurance provided by Management;
- The Auditor-General of South Africa (AGSA) audit and management reports, with due consideration of the responses provided by Management; and
- The audited financial statements as well as the information on predetermined objectives to be included in the annual report for any significant adjustments resulting from the audit.

15.6 AUDITOR-GENERAL OF SOUTH AFRICA REPORT

The Committee, in consultation with the Accounting Officer, agreed to the terms of the AGSA engagement letter, audit strategy and audit fees in respect of the 2020/21 financial year.

The Committee also monitored the implementation of the action plan to address matters arising from the Management Report issued by the AGSA for the 2019/20 Financial Year.

The Committee concurs and accepts the conclusions of the AGSA 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 AGSA.

15.7 CONCLUSION

The Committee wishes to commend MISA for their commitment in maintaining the “clean” audit outcome (unqualified with no material findings) and further extends its appreciation to the Executive Authority, Accounting Officer and Management, Internal Audit and Auditor-General South Africa for their tireless efforts, commitment, and support throughout the year.

Signed on behalf of the Committee by:

P. Dala

Dr Prittish Dala
Chairperson of the Audit Committee
Municipal Infrastructure Support Agent (MISA)
Date: 25 August 2021

16.

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

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 licenses, 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. MISA has received its B-BBEE final certificate.



PART D: HUMAN RESOURCE MANAGEMENT

ANNUAL REPORT 2020/21 FINANCIAL YEAR

1.

INTRODUCTION

Human resource matters within MISA are mainly the responsibility of the Human Resources Management and Development (HRMD) unit. This unit is tasked to perform all HR functions ranging from recruitment, performance management, employees wellness to training and development, among others. To ensure a coherent and consistent provision of these functions the HRDM unit has developed numerous policies covering almost all key functional areas under its purview. These policies enabled employees in MISA to perform their duties during the year under review in compliance with relevant regulations, within a reliable internal control system and in adherence to the code of conduct for public service.

Priorities for MISA's Human Resources (HR) for the 2020/21 financial year included, amongst others, 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 (DoL) 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 to the core functions of the organisation and the compilation of a Workplace Skills Plan (WSP) which was subsequently submitted to Local Government Sector Training Authority (LGSETA). The compliance reports to Department of Public Service and Administration (DPSA) were submitted within the due date.

During the year under review MISA continued with the process of filling key positions in line with its current organisational structure as approved 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. A total of 171 of the posts on the organisational structure were filled as at the end of the year under review and with 50 positions remaining vacant. A proportion of filled posts under the Technical Support Services Branch, are the Professional (Engineers) which is standing at 82% (69 of 84). Under the Senior Management Services category, 92% (33 of 36) were filled as at the end of the year under review. The process of appointing the Deputy Director-General (DDG) for Technical Support Services (TSS) Programme was at an advanced stage at the end of the financial year under review, with the memorandum recommending the approval of preferred candidate having been tabled in Cabinet.

Employee performance and rewards within the entity were managed in accordance with the Performance Management Development System (PMDS) applicable in the public service. The Entity achieved 100% regarding timeous submission of the performance agreements for 2020/21 and finalisation of annual performance assessments for 2019/20. During the year under review, the HRM&D unit spearheaded the management of the COVID-19 pandemic by developing Protocol Guidelines on the management of COVID-19 in the workplace, establishing a COVID-19 Steering Committee to oversee the implementation of all regulations, directives and circulars aimed at mitigating the spread of the coronavirus in the workplace. The unit also managed to finalise and obtained approval for additional three (3) HR policies during the period under review.

High staff turnover particularly among technical professionals remained a key challenge within MISA. The Talent Management and Retention Policy has been developed and approved; and the implementation of the retention strategies will assist in addressing the staff turnover in the future. Amongst the HR priorities for the next financial year is the implementation of the Employee Health and Wellness programme to ensure that MISA's working environment is conducive for productive performance by its staff. MISA remains committed to the achievement of the Employment Equity targets of 2% for persons with disabilities (PwD) and to maintain the 50% ratio of women at SMS level and in the period under review. The entity achieved 1% in respect to appointment of PwD and met the 50% target for women at SMS level.

2.

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by Programme

Programme / Activity / Objective	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)		(R'000)
Administration	82 865	43 646	53%	69	633
Technical Support Services	163 005	119 160	73%	282	423
IDMS	19 257	9 874	51%	12	823
Total	265 127	172 680	65%	363	476

Personnel cost by Salary Band

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
	(R'000)	(R'000)		(R'000)
Top Management	3 639	2%	2	1 820
Senior Management	38 150	22%	32	1 192
Professional qualified	88 136	51%	93	948
Skilled	10 896	6%	20	545
Semi-skilled	7 812	5%	24	325
Unskilled	274	0%	1	274
Temporary employees	23 773	14%	191	124
TOTAL	172 680	100%	363	476

Performance Rewards

Programme / Activity / Objective	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost
		(R'000)	(R'000)
Top Management	-	3 639	0.00%
Senior Management	520	38 150	1.36%
Professional qualified	428	88 136	0.49%
Skilled	251	10 896	2.30%
Semi-skilled	205	7 812	2.62%
Unskilled	12	274	4.47%
Total	1 416	148 907*	0.95%

* Note that the personnel expenditure total excludes figures for temporary employees (R 23 773)

Training Costs

Programme / Activity / Objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
	(R'000)	(R'000)			
Administration	43 646	774	2%	27	29
Technical Support Services	119 160	3 478	3%	68	51
IDMS	9 874	18	0%	3	6
Total	172 680	4 270	2%	98	44

Employment and Vacancies

Programme / Activity / Objective	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of vacancies
Office of the CEO	18	20	19	1	5%
Technical Support Services	98	134	98	36	27%
IDMS	5	15	9	6	40%
Corporate Management Services	20	23	19	4	17%
Financial Management Services	26	29	26	3	10%
Total	167	221	171	50	23%

Programme / Activity / Objective	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of vacancies
Top Management	2	3	2	1	33%
Senior Management	30	36	32	4	11%
Professional qualified	89	115	92	23	20%
Skilled	21	24	20	4	17%
Semi-skilled	24	42	24	18	43%
Unskilled	1	1	1	0	0%
Total	167	221	171	50	23%

During the period under review management continued with efforts to fill vacancies arising from resignations. This process resulted in the reduction of the vacancy rate from 24% at the end of the previous year to 23% at the end of the 2020/21 financial year. At SMS level the vacancy rate was 11% at the end of the financial year. The process of filling the post of Deputy Director-General (DDG) for Technical Support Services was at an advanced stage with the submission recommending the preferred candidate for approval having been tabled in Cabinet by year end. This position had remained vacant since the approval of the current structure in 2017 due to restarting of the process after the recommended candidate was not approved.

Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Senior Management	30	4	2	32
Professional qualified	89	10	7	92
Skilled	21	0	0	21
Semi-skilled	24	4	3	25
Unskilled	1	0	0	1
Total	167	18	12	173

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	8%
Resignation	10	84%
Dismissal	0	0%
Retirement	1	8%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	12	100%

Resignations, especially among the technical professionals significantly contributed to staff attritions during the year under review. Huge efforts were directed at accelerating the replacement of employees who resigned giving priority to the filling of vacancies in the core business. It is projected that most of these vacancies will be filled in the first quarter of the coming financial year. To mitigate the high staff turnover experienced in the past, management has adopted a Talent Management and Retention Policy during the year under review. Strategies set out in this policy are being implemented to minimise the rate of exit by technical professional from the next financial year onwards.

Labour Relations: Misconduct and disciplinary action

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

Three (3) warning letters were issued and no disciplinary or misconduct cases were recorded during the period of review.

Equity Target and Employment Equity Status

MALE								
Levels	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	16	1	0	0	0	0	0
Professional Qualified	45	51	3	2	4	2	6	2
Skilled	10	11	0	0	0	0	0	0
Semi-skilled	7	13	0	2	0	0	0	0
Unskilled	1	0	0	0	0	0	0	0
TOTAL	79	93	4	4	4	2	6	2

FEMALE								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	16	18	0	1	0	0	0	0
Professional Qualified	28	31	3	3	0	2	2	2
Skilled	10	11	0	0	0	0	0	0
Semi-skilled	18	26	0	2	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	73	86	3	6	0	2	2	2

Equity Target and Employment Equity Status

DISABLED STAFF				
Levels	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	1	0
Professional Qualified	0	0	0	0
Skilled	0	2	0	0
Semi-skilled	0	0	1	0
Unskilled	0	0	0	0
TOTAL	0	2	2	0

MISA strives to achieve the gender equity target of filling at least 50% of SMS positions with females and the filling of 2% of approved posts by persons with disabilities as prescribed in the Employment Equity Act. In the period under review, MISA achieved the mandatory 50% target in relation to gender equity with 17 of 34 SMS positions on the approved structure occupied by females. Against the 2% target for appointing people with disabilities, the entity had filled 1% of the total staff establishment through the appointment of two persons with disability in the year under review. MISA will strive to reach the mandatory 2% target in respect to appointment of persons with disability in the next financial year. The main reason for not reaching this target to date is low response from qualifying individuals to jobs advertised by MISA. To overcome this challenge, the entity has been and will continue to share information on advertised positions with organisations representing the interests of people with disabilities to encourage their members to apply.



**Young Graduates:
Electrical (Qualified Pr Tech)**

**George LM
(Western Cape)**



PART E: FINANCIAL INFORMATION

ANNUAL REPORT 2020/21 FINANCIAL YEAR

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 98 to 129, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Infrastructure Support Agent as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 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 government component’s approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the government component enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the government component’s annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 2 – Technical support services	33 – 44

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 matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 33 to 44 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement 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 on it.
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

24 August 2021



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



**MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
Annual Financial Statements
for the year ended 31 March 2021**

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

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 2021

Index

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

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Cash Flow Statement	101
Statement of Comparison of Budget and Actual Amounts	102
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Abbreviations

DCoG	Department of Cooperative Governance
GRAP	Generally Recognised Accounting Practice
MISA	Municipal Infrastructure Support Agent
IDP	Intergrated Development Plans
MIPMIS	Municipal Infrastructure Perfomance Management Information System
PFMA	Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999)
LGSETA	Local Government Sector Education and Training Authority
NT	National Treasury
DPSA	Department of Public Service and Administration
ASB	Accounting Standard Board
COVID-19	Corona Virus Disease 2019

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

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 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 the standards of GRAP, including any interpretations, guidelines and directives issued by the ASB.

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and 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.

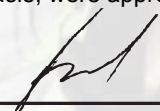
The Accounting Officer has reviewed the entity's cash flow forecast for the twelve months period to 31 March 2022 and, in light of this review and the current financial position, he is satisfied that the entity will have access to adequate resources to continue in operational existence for the foreseeable future.

In light of the current COVID-19 pandemic, 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. 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 pandemic on its results. it is not certain to what extent the economy will recover during 2021, 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 98 to 129, which have been prepared for the entity on the going concern basis, were approved by the Accounting Officer on 23 August 2021 and were signed on its behalf by:



Mr G.N Vimba
Accounting Officer
MISA
Date: 23 August 2021

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 31 March 2021.

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, 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 Special Purpose Vehicle 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.

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 eighth year of reporting as a separate entity.

Net surplus for the financial year under review

Net surplus of the entity for the financial year under review is R130 810 214 (R54 589 928: March 2020 Deficit). An application to retain the surplus funds at 31 March 2021 will be submitted to National Treasury in due course.

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 in the foreseeable future.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Accounting Officer's Report

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 twelve months. The MISA budget was reduced by R19.9m for 2020/2021 financial year, however MISA has managed to realign its budget to cater for the reduction without affecting its operational performance.

In light of the current COVID-19 pandemic, 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. 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 .

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.

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 (Accounting Officer)	South African

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Position as at 31 March 2021

	Notes	2021 R	2020 R
Assets			
Current Assets			
Prepayments	3	1,789,476	1,731,614
Receivables from non-exchange transactions	4	308,988	292,776
Cash and cash equivalents	5	215,961,475	98,225,577
		<u>218,059,939</u>	<u>100,249,967</u>
Non-Current Assets			
Property, plant and equipment	6	8,131,393	8,790,183
Intangible assets	7	14,684,880	18,141,530
		<u>22,816,273</u>	<u>26,931,713</u>
Total Assets		<u>240,876,212</u>	<u>127,181,680</u>
Liabilities			
Current Liabilities			
Operating Lease Liability	8	345,507	-
Payables from exchange transactions	9	32,756,531	53,869,896
Provisions	10	15,996,366	12,344,190
		<u>49,098,404</u>	<u>66,214,086</u>
Total Liabilities		<u>49,098,404</u>	<u>66,214,086</u>
Net Assets		<u>191,777,808</u>	<u>60,967,594</u>
Accumulated surplus		<u>191,777,808</u>	<u>60,967,594</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Performance

		2021 R	2020 R
REVENUE			
Revenue from Exchange Transactions			
Sale of Scrapped Assets		-	30,925
Interest received		3,777,549	3,350,376
Total revenue from exchange transactions	11	3,777,549	3,381,301
Revenue from Non-Exchange Transactions			
Transfer revenue			
Government grants (DCoG)	12	389,749,000	343,976,000
LGSETA Funding	12	2,411,160	-
Total revenue from non-exchange transactions		392,160,160	343,976,000
TOTAL REVENUE		395,937,709	347,357,301
Expenditure			
Employee related costs	13	(172,680,050)	(186,577,127)
Depreciation and amortisation	14	(5,130,247)	(5,866,815)
Finance costs	15	(525,862)	-
Contracted services	16	(54,646,302)	(142,236,368)
General Expenses	17	(32,145,034)	(67,266,919)
TOTAL EXPENDITURE		(265,127,495)	(401,947,229)
Surplus (deficit) for the year		130,810,214	(54,589,928)

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2019	115,557,522	115,557,522
Changes in net assets		
Deficit for the year	(54,589,928)	(54,589,928)
Total changes	(54,589,928)	(54,589,928)
Balance at 01 April 2020	60,967,594	60,967,594
Changes in net assets		
Surplus for the year	130,810,214	130,810,214
Total changes	130,810,214	130,810,214
Balance at 31 March 2021	191,777,808	191,777,808

Municipal Infrastructure Support Agent (MISA)

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Cash Flow Statement

	Notes	2021 R	2020 R
Cash flows from operating activities			
Receipts			
Grants		389,749,000	343,976,000
Interest income		3,777,549	3,350,377
LGSETA Funding		2,411,160	-
		<u>395,937,709</u>	<u>347,326,377</u>
Payments			
Employee costs		(167,974,125)	(183,287,940)
Goods and Services		(109,176,650)	(211,442,033)
		<u>(277,150,775)</u>	<u>(394,729,973)</u>
Net cash flows from operating activities	18	<u>118,786,934</u>	<u>(47,403,596)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,051,036)	(609,824)
Purchase of other intangible assets	7	-	(239,282)
Sale of Scrapped Assets	11	-	30,925
		<u>(1,051,036)</u>	<u>(818,181)</u>
Net increase/(decrease) in cash and cash equivalents		117,735,898	(48,221,777)
Cash and cash equivalents at the beginning of the year		98,225,577	146,447,354
Cash and cash equivalents at the end of the year	5	<u>215,961,475</u>	<u>98,225,577</u>

Municipal Infrastructure Support Agent (MISA)

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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						
Interest received - Call Account	-	-	-	3,777,549	3,777,549	Note 27
Revenue from non-exchange transactions						
Revenue						
Government grants & subsidies	359,749,000	(19,900,000)	339,849,000	339,749,000	(100,000)	Note 27
Improving MISA's labour intensive Capacity	-	50,000,000	50,000,000	50,000,000	-	Note 27
LGSETA Funding	-	-	-	2,411,160	2,411,160	Note 27
Total revenue from non-exchange transactions	359,749,000	30,100,000	389,849,000	392,160,160	2,311,160	
Total revenue	359,749,000	30,100,000	389,849,000	395,937,709	6,088,709	
Expenditure						
Employee related costs	(223,150,674)	13,918,000	(209,232,674)	(172,680,050)	36,552,624	Note 27
Depreciation and amortisation	(8,000,000)	2,000,000	(6,000,000)	(5,130,247)	869,753	Note 27
Finance costs	-	-	-	(525,862)	(525,862)	Note 27
Contracted Services	(52,933,216)	(82,304,267)	(135,237,483)	(54,646,302)	80,591,181	Note 27
General Expenses	(75,665,110)	3,982,000	(71,683,110)	(32,145,034)	39,538,076	Note 27
Total expenditure	(359,749,000)	(62,404,267)	(422,153,267)	(265,127,495)	157,025,772	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(32,304,267)	(32,304,267)	130,810,214	163,114,481	

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

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..

Useful lives of Property , plant and equipment

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

Finance Cost

Finance cost comprises the following:

- Interest expense on overdue accounts from service providers.

All finance costs are recognised in surplus or deficit using the effective interest method.

Fruitless and wasteful expenditure refers to expenditure that was made in vain and could have been avoided had reasonable care been taken. Such expenditure includes, inter alia, interest.

Intangible assets

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.3 Contingent liabilities

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

1.4 Property, plant and equipment

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

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	5-15 years
Motor vehicles	Straight line	5-10 years
Office equipment	Straight line	5-15 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.
-

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.5 Intangible assets (continued)

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.

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 2021

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

Value in use

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

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

Depreciated replacement cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.8 Employee benefits

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

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

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

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

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

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

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 recognises 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 recognises 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)

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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 2021

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 2021

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)

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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 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.

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.

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.17 Financial instruments (continued)

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

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

Class	Category
Payables	Financial liability measured at amortised cost

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 2021

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 2021

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 2021

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.

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Not Applicable
• GRAP 34: Separate Financial Statements	01 April 2020	Not Applicable
• GRAP 35: Consolidated Financial Statements	01 April 2020	Not Applicable
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Not Applicable
• GRAP 37: Joint Arrangements	01 April 2020	Not Applicable
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Not Applicable
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Not Applicable
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not Applicable

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	To be determined	To be determined
• GRAP 20: Related parties	01 April 2021	Applicable
• GRAP 108: Statutory Receivables	01 April 2021	Not Applicable
• GRAP 109: Accounting by Principals and Agents	01 April 2021	Applicable

Municipal Infrastructure Support Agent (MISA)

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Notes to the Annual Financial Statements

	2021 R	2020 R
3. Prepayments		
The prepayment refers to licence fees paid in advance.		
Prepayment - Software Licences	1,789,476	1,731,614
4. Receivables from non-exchange transactions		
Debtors	587,402	565,896
Provision for doubtful debts	(278,414)	(273,120)
	<u>308,988</u>	<u>292,776</u>
Reconciliation of provision for doubtful debts		
Opening balance	(273,120)	(187,969)
Increase in provision	(5,294)	(85,151)
Closing balance	<u>(278,414)</u>	<u>(273,120)</u>

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

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand-Petty Cash	23,359	16,799
Bank balances-Current and Salary Account	9,649,885	16,781,609
Short-term deposits- Call Account	206,288,231	81,427,169
	<u>215,961,475</u>	<u>98,225,577</u>

The amount of R9.9m included in cash and cash equivalents relates to the R20 million received in May 2019 from KZN CoGTA for a specified infrastructure project.

6. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6,556,746	(4,434,892)	2,121,854	6,556,746	(4,216,919)	2,339,827
Motor vehicles	624,322	(542,410)	81,912	624,322	(517,002)	107,320
Office equipment	2,906,623	(1,642,518)	1,264,105	2,906,623	(1,533,792)	1,372,831
Computer equipment	15,767,133	(11,103,611)	4,663,522	14,808,859	(9,838,654)	4,970,205
Total	<u>25,854,824</u>	<u>(17,723,431)</u>	<u>8,131,393</u>	<u>24,896,550</u>	<u>(16,106,367)</u>	<u>8,790,183</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Mar 2021

	Opening balance	Additions	Disposal	Depreciation	Total
Furniture and fixtures	2,339,827	-	-	(217,973)	2,121,854
Motor vehicles	107,320	-	-	(25,408)	81,912
Office equipment	1,372,831	-	-	(108,726)	1,264,105
Computer equipment	4,970,205	1,051,036	(36,228)	(1,321,491)	4,663,522
	<u>8,790,183</u>	<u>1,051,036</u>	<u>(36,228)</u>	<u>(1,673,598)</u>	<u>8,131,393</u>

Reconciliation of property, plant and equipment - Mar 2020

	Opening balance	Additions	Disposal	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
	<u>10,722,311</u>	<u>609,824</u>	<u>(103,389)</u>	<u>(2,438,563)</u>	<u>8,790,183</u>

Pledged as security

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

7. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	815,002	(557,295)	257,707	815,002	(495,273)	319,729
Municipal Infrastructure Performance Management Information System (MIPMIS)	33,946,284	(19,519,111)	14,427,173	33,946,285	(16,124,484)	17,821,801
Total	<u>34,761,286</u>	<u>(20,076,406)</u>	<u>14,684,880</u>	<u>34,761,287</u>	<u>(16,619,757)</u>	<u>18,141,530</u>

Reconciliation of intangible assets - Mar 2021

	Opening balance	Amortisation	Total
Computer software, other	319,729	(62,022)	257,707
Municipal Infrastructure Performance Management Information System (MIPMIS) - (Internally generated)	17,821,801	(3,394,628)	14,427,173
	<u>18,141,530</u>	<u>(3,456,650)</u>	<u>14,684,880</u>

Reconciliation of intangible assets - Mar 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	114,068	239,282	(33,621)	319,729
MIPMIS - Internally generated	21,216,430	-	(3,394,629)	17,821,801
	<u>21,330,498</u>	<u>239,282</u>	<u>(3,428,250)</u>	<u>18,141,530</u>

Municipal Infrastructure Support Agent (MISA)

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Notes to the Annual Financial Statements

	2021 R	2020 R
7. Intangible assets (continued)		
Pledged as security		
There are no idle assets held and there are no assets pledged as security.		
8. Operating Lease Liability		
Current liabilities	345,507	-
Operating lease accrual	345,507	-
Minimum Lease payments due for the following periods:		
Not later than one year	7,948,768	11,028,537
Later than one year and not later than five years	67,500	7,859,582
	8,016,268	18,888,119

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

The lease term for the head office building is for a period of 20 months which commenced on 1 April 2020 and ends on 30 November 2021 with the escalation rate of 8% per annum. There is uncertainty with regards to the renewal of the lease.

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

Currently MISA has 6 operating lease contracts for photocopiers with a duration of 3 years per contract. The first contract commenced in June 2018 and the last contract ends in April 2023, with no escalation rates. The contracts have an option for 24 months extension at a reduced rental amount specified in the initial contracts.

9. Payables from exchange transactions

Trade payables	28,498,544	33,831,378
Service bonus liability	3,888,597	3,609,327
KZN Cogta	-	16,064,028
Other payables	369,390	365,163
	32,756,531	53,869,896

The accrual amount of R10.1 million included in Trade payables relates to KZN CoGTA infrastructure project which is co-funded by MISA.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
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10. Provisions

Reconciliation of provisions - Mar 2021

	Opening Balance	Movement	Closing Balance
Leave provision: Employees	10,813,190	2,376,558	13,189,748
Performance Bonus Provision	1,531,000	(624,382)	906,618
Technical Consultant Claim	-	1,900,000	1,900,000
	<u>12,344,190</u>	<u>3,652,176</u>	<u>15,996,366</u>

Reconciliation of provisions - Mar 2020

	Opening Balance	Movement	Total
Leave Provisions: Employees	7,898,244	2,914,946	10,813,190
Performance Bonus Provision	1,350,000	181,000	1,531,000
	<u>9,248,244</u>	<u>3,095,946</u>	<u>12,344,190</u>

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 as at 31 March 2021 based on the total remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods. Any unused leave relating to prior calendar year (leave cycle) will be forfeited by 30 June 2021. All unused leave will be paid out to the employee at the end of the employment term or termination of contract.

Performance Bonus Provision: This relates to performance bonus to be paid in 2021/22 financial year for the 2020/21 performance assessment. The actual amount to be paid is unknown, however a reasonable estimate has been calculated as indicated in the table above.

Technical Consultant Claim relates to the unfair dismissal claim lodged by a consultant. The consultant lodged a case with the Bargaining Council claiming unfair dismissal as he had a legitimate expectation of employment. The Bargaining Council has ruled against MISA, requiring MISA to employ the consultant and pay him R1, 9 million in remuneration dating back from 2018.

11. Revenue from exchange transactions

Sale of Scrapped Assets written off prior year	-	30,925
Interest Received	3,777,549	3,350,376
	<u>3,777,549</u>	<u>3,381,301</u>

12. Revenue from non exchange transactions

Government grant	339,749,000	343,976,000
LGSETA Funding	2,411,160	-
Improving MISA's Labour Intensive Capacity	50,000,000	-
	<u>392,160,160</u>	<u>343,976,000</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
13. Employee related cost		
Basic salary, Non pensionable allowance, Acting allowance and other allowances not listed below	146,683,558	158,880,077
Bonus	8,870,264	11,648,779
Medical aid	1,604,530	1,212,926
Pension	13,143,983	12,839,693
Housing allowances	2,377,715	1,995,652
	<u>172,680,050</u>	<u>186,577,127</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

13. Employee related cost (continued)

Remuneration for Key Management Personnel - 31 Mar 2021

	Basic Salary	Other Short-term employee benefits	Bonuses and Performance related payments	Post-employment such as Pension and other retirement benefits	Fees for services as a member of management	Total Remuneration
Chief Executive Officer - Vimba GN	1,384,973	413,619	-	180,046	197,853	2,176,491
Chief Financial Officer - Nombembe-Ofosu F	943,110	281,691	58,614	122,604	-	1,406,019
Deputy Director General - Kgomo EM	1,182,130	335,512	-	153,677	-	1,671,319
Acting Deputy Director General - Ngobeni TS	971,628	470,119	-	126,311	-	1,568,058
Chief Director - Kock J	436,321	130,316	-	56,722	-	623,359
Chief Director - Mamuremi F	1,047,169	312,760	-	136,132	-	1,496,061
Chief Director - Mathada V	832,824	447,054	60,386	108,267	-	1,448,531
Chief Director - Mathabathe R	875,828	261,602	-	113,857	-	1,251,287
Acting Chief Director - Dladla T	416,884	278,578	-	54,195	-	749,657
Chief Director - Nkosi HJ	315,800	143,206	-	41,054	-	500,060
Chief Director - Ndalasi L	753,347	162,238	-	97,935	-	1,013,520
Chief Director - Mnqeta NP	145,971	31,436	-	18,976	-	196,383
	9,305,985	3,268,131	119,000	1,209,776	197,853	14,100,745

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

13. Employee related cost (continued)

Remuneration for Key Management Personnel - 31 Mar 2020

	Basic Salary	Other Short-term employee benefits	Bonuses and Performance related payments	Post-employment such as Pension and other retirement benefits	Fees for services as a member of management	Total Remuneration
Chief Executive Officer - Vimba GN	1,384,973	413,611	-	180,046	197,853	2,176,483
Chief Financial Officer - Nombembe-Ofosu F	902,313	349,310	61,265	117,300	-	1,430,188
Deputy Director General - Kgomo EM	281,228	60,214	-	36,560	-	378,002
Acting Deputy Director General - Ngobeni TS	929,582	373,701	63,117	120,845	-	1,487,245
Chief Director - Kock J	1,047,169	316,814	-	136,132	-	1,500,115
Chief Director - Mamuremi F	1,047,169	316,814	-	136,132	-	1,500,115
Chief Director - Mathada V	796,784	427,705	63,117	103,582	-	1,391,188
Chief Director - Mathabathe R	875,828	261,595	-	113,857	-	1,251,280
Chief Director: Chikwanda M	325,576	115,840	-	42,325	-	483,741
Acting Chief Director: Mpengesi L	261,853	87,567	-	34,041	-	383,461
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,852,475	2,723,171	187,499	1,020,820	197,853	11,981,818

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

	2021 R	2020 R
14. Depreciation and amortisation		
Property, plant and equipment	1,673,597	2,438,565
Intangible assets	3,456,650	3,428,250
	<u>5,130,247</u>	<u>5,866,815</u>

15. Finance costs

Interest paid	525,862	-
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Finance costs relates to interest charged by MISA's travel service provider on disputed invoices. The matter was finally settled through the court and MISA was ordered to pay the disputed invoices plus interest on the outstanding amount.

16. Contracted services

Information Technology Services	2,867,997	2,639,483
Professional and consulting services	23,449,901	83,937,224
Property rental	11,825,294	11,662,777
Agency support	783,656	613,625
Security services	1,185,031	1,297,089
Infrastructure Projects	14,534,423	42,086,170
	<u>54,646,302</u>	<u>142,236,368</u>

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

17. General expenses

Advertising expenses	198,841	477,928
Audit fees	4,396,669	4,512,728
Bank Charges	88,890	115,361
Cleaning	711,622	799,548
Office related expenditure	548,168	859,331
Loss on disposal and impairment	5,293	85,151
Entertainment	146,678	323,542
Printing and stationery	1,331,456	801,442
Telephone	2,288,426	2,187,922
Transport	1,559,224	5,041,251
Training	4,270,093	18,178,817
Accommodation	8,225,131	24,502,538
Bursaries	4,995,221	3,462,852
Catering	54,367	915,718
Sundry expenses	3,313,187	1,818,171
Venues and facilities	11,768	3,184,619
	<u>32,145,034</u>	<u>67,266,919</u>

Included under sundry expenses are the following expenses:

Consumables	1,482,361	295,826
Courier	6,300	11,950
Legal costs	1,789,298	1,407,006
Loss on disposal	36,228	103,389
	<u>3,314,187</u>	<u>1,818,171</u>

Office related expenditure relates to stationery, minor assets, fuel and office refreshments. The major portion of consumables for the current year relates to the PPE for COVID-19 pandemic.

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	2021 R	2020 R
18. Cash generated from (used in) operations		
Surplus/ (Deficit) for the year	130,810,214	(54,589,928)
Adjustments for:		
Depreciation and Amortisation	5,130,247	5,866,815
Profit from sale of assets	-	(30,925)
Loss on disposal of Assets	36,228	103,389
(Decrease)/Increase in operating lease liabilities	345,507	(295,527)
Increase in provisions	3,652,176	3,095,946
Decrease in Receivables from exchange transactions	-	593,424
Increase/(Decrease) in Receivables from non-exchange transactions	(16,212)	67,228
Increase in Prepayments	(57,862)	(1,518,319)
Decrease in Payables from exchange transactions	(21,113,364)	(695,699)
Cash generated from (used in) operations	118,786,934	(47,403,596)
19. Commitments		
Approved Expenditure		
Total Commitments		
• Contractors	145,440,842	115,956,293
Commitments payable not later than one year		
• Contractors	135,328,251	97,452,475
Commitments payable later than one year and not later than five years		
Contractors	10,112,591	18,503,818
	10,112,591	18,503,818

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

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	2021 R	2020 R
20. Contingencies		
Contingent liability		
The contingent liabilities relate to the following:		
1. Claim by service provider for work done on the Northern Cape Bucket eradication programme. 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. Furthermore, the reason for termination was due to the submission of a fraudulent tax clearance certificate.		
2. Claim by former technical consultants relating to extension of contracts. MISA may be required to pay R4 million plus legal costs should the former Technical Consultants 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 .		
3. The employee's contract was terminated by MISA for an outstanding qualification certificate. He took the matter to the Bargaining Council and the matter was dismissed. He approached the Labour Court and the matter will be heard there. The claim is for R1 468 710.		
4. MISA and the Service provider are deadlocked on the amounts payable for services rendered. A deadlock breaking mechanism is being explained by the parties. The claim is for R6 283 908.		
5. The service provider was engaged for the training of young graduates. The service provider has been submitting invoices that were substantiated by evidence and those were paid. Towards the end of the contract, an invoice was submitted but lacked evidence of work done and on that basis MISA refused to process the invoice. Attempts to resolve the matter at top management level yielded no results. It was agreed that Arbitration Foundation of Southern Africa will have to resolve the dispute, as provided for in the contract. The claim is for R1 559 099.		
6. The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the department will be obligated to pay the salary increases in dispute. The management judgement is that, there is currently no reasonable basis to quantify the financial impact of the COLA payment for 2020/21 in the event the Constitutional Court rules against the LAC judgement. Consequently, no amount is attached to this contingent liability.		
Claim against the state	25,311,717	17,331,000
	<u>25,311,717</u>	<u>17,331,000</u>

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	2021 R	2020 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	389,749,000	343,976,000
Related party balances		
Amount included in payables owed to DCoG for the recovery of expenses paid by DCoG on behalf of MISA. This is payable within 30 days of invoicing.	293,093	293,093
Refer to note 13 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 9 . Monthly management meetings are held to ensure that the planned budget is adequately managed.		
Maturity analysis		
30 days	32,756,531	53,869,896

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	2021 R	2020 R
22. Risk management (continued)		
Credit risk		
<p>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.</p>		
<p>Financial assets exposed to credit risk at 31 March 2021 were as follows:</p>		
Age analysis of receivables for non-exchange transactions (neither past due nor impaired)	2021	2020
0-3 months	152,275	52,507
>3-6 months	2,823	1,728
>6-12 months	4,543	7,046
>12 months and older	149,347	231,495
TOTAL	308,988	292,776
Market risk		
<p>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.</p>		
23. Fruitless and wasteful expenditure		
Opening balance	984,251	1,526,375
Add: Expenditure incurred - current year	525,862	-
Amount written off	-	(497,124)
Transferred to Trade Receivables	-	(45,000)
	1,510,113	984,251
<p>The prior year closing balance of Fruitless and wasteful expenditure relates to a salary overpayment and SARS penalty due to late payment of employees tax. Fruitless and wasteful expenditure incurred in the current year relates to interest charged by MISA's travel service provider on disputed invoices. Submission to write-off the SARS amount has been routed to the Accounting Officer for approval. The amount relating to the salary overpayment has been referred to the state attorney. An investigation will be instituted in respect of the current year fruitless and wasteful expenditure prior to the implementation of consequence management. An investigation is currently underway in respect of the prior year's fruitless and wasteful expenditure.</p>		
24. Irregular expenditure		
<p>There is no Irregular expenditure incurred in the prior and the current year.</p>		
25. Employee benefit obligations		
Defined contribution plan		
Contributions	13,143,983	12,839,693

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2021	2020
R	R

25. Employee benefit obligations (continued)

MISA employees belong to a defined benefit plan which is managed by the Government Employees Pension Fund (GEPF), 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 is disclosed as a defined contribution plan as sufficient information is not available to use defined benefit accounting.

MISA's responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made on behalf of its employees. The obligation of the fund is guaranteed by the National Revenue Fund and not by the individual government departments and entities. This responsibility is governed by the Government Employees Pension Law, Proclamation 21. These contributions are included in the surplus or deficit of the reporting period.

An actuarial valuation of the GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law.

26. Fees for members of Audit and Risk Committee

Mr F Sinthumule: Chairperson	28,060	172,569
Mr E Cousins	-	54,975
Adv RR Dehal	-	53,876
Ms D Dondur	89,587	133,040
Ms P Mzizi	142,353	135,239
Mr LL Makibinyane	108,008	-
Ms N Lubanga	131,520	-
Mr LJ Makoro	42,392	-
Dr P Dala	148,687	-
	<u>690,607</u>	<u>549,699</u>

All the members of audit and risk committee are external members. During the year under review, Mr Sinthumule's term as a chairperson came to an end. While MISA had to advertise for the appointment of new members, Ms Mzizi was appointed as a chairperson until the end of her term. Dr Dala took over as a chairperson at the end of Ms Mzizi's term.

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2021	2020
R	R

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 R3,78 million.

27.2 MISA has entered into Memorandum of Agreement to collaborate with LGSETA. R2,41 million was received to cover bursary programmes and recognition of prior learning.

27.3 Variance between Approved and Final Budget.

Adjustment to the approved budget relates to the following:

- The approved budget was decreased by R5,98 million announced during the first quarter tabled in the 2020 special adjustment Budget guidelines by National Treasury for 2020/2021 Financial Year. Consequently, MISA reduced Depreciation and General Expenses by R2,00 million and R3,98 million respectively.
- The approved budget was further decreased by R13,91 million announced during the second quarter tabled in the 2020 Adjusted Estimates of National Expenditure by National Treasury for 2020/2021 Financial Year. The Budget cut was therefore effected against Compensation of Employees.
- The approved budget was increased by R50 million which was approved for the Department to assist targeted Municipalities to improve labour intensive capacity in the implementation of Roads and Water and Sanitation projects. The R50,000,000 increased the contracted services budget.
- The approved budget was further increased by R32,30 million resulting from approved retention of funds by National Treasury during the third quarter. The R32,30 million increased the contracted services budget.

27.4 Variance between Final Adjusted Budget and Actual Expenditure.

- Employee related Costs: The expenditure amounting to R172,68 million against the adjusted budget of R209.23 million resulted in an under - expenditure of R36,55 million. The under - expenditure is largely attributed to staff turnover and vacant posts that are not yet filled.
- Contracted services: The expenditure amounting to R54,65 million against the adjusted budget of R135,24 million resulted in an under - expenditure of R80,59 million. The under - expenditure is due to a decrease in the level of activity due to lockdown. R50 million allocation for labour intensity capacity has also contributed to the high under expenditure as this was only transferred to MISA in the middle of February 2021.
- General Expenses: Actual expenditure amounting to R32.15 million against a budget of R71.68 million resulted in an under - expenditure of R39.54 million. The variance is due to under expenditure in various accounts. Major variances are Training, Bursaries and Subsistences and travel expenses where lower expenditure than budget was incurred due to lockdown.
- Finance costs amounting to R525 862 relates to interest charged by MISA's Travel Service Provider on disputed invoices, and were budgeted for. The matter was finally settled through the court and MISA was ordered to pay the disputed invoices plus interest on the outstanding amount.