



**Municipal Infrastructure  
Support Agent (MISA)**

**REPUBLIC OF SOUTH AFRICA**

# **MISA Annual Report Presentation FY 2015/16**

**Presentation to the Portfolio Committee on  
Cooperative Governance and Traditional Affairs  
14 February 2017**

# **PRESENTATION OUTLINE**

## **PART A: PERFORMANCE ON PREDETERMINED OBJECTIVES**

- MISA's Core Mandate
- Vision and Mission Statement
- Outcome Oriented Goals and Strategic Objectives
- Summary of Performance per Programme

## **PART B: 2015/16 FINANCIAL PERFORMANCE**

- Audit Outcome: Annual Financial Statements
- Appropriation Statement
- Reasons for Over/Under-Expenditure
- Key Findings and Remedial Actions
- Conclusion



**Cooperative Governance  
Traditional Affairs**

# **PART A:**

## **PERFORMANCE ON PREDETERMINED OBJECTIVES**



# **MISA'S CORE 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 maintenance of municipal infrastructure; and
- Performing any function that may be deemed ancillary to those listed above.

# **VISION**

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

# MISSION STATEMENT

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



# OUTCOME ORIENTED GOALS AND STRATEGIC OBJECTIVES

| OUTCOME ORIENTED GOALS   | STRATEGIC OBJECTIVES   |
|--|--|
| <p>SG 1: Refocussing and strengthening the capacity of CoGTA to deliver on its mandate</p>               | <ul style="list-style-type: none"> <li>• <b>Strategic Objective 1.1:</b> Provide effective and efficient corporate governance and administrative support services for MISA to deliver on its mandate.</li> <li>• <b>Strategic Objective 1.2:</b> Effective internal controls, risk management and governance structures.</li> <li>• <b>Strategic Objective 1.3:</b> Refocus and strengthen the capacity of COGTA to deliver on its mandate.</li> </ul> |
| <p>SG 2: Ensure Significant improvements in service delivery through sound infrastructure management</p> | <ul style="list-style-type: none"> <li>• <b>Strategic Objective 2.1:</b> Facilitate improvements in service delivery by coordinating all sustainable infrastructure development and maintenance initiatives in order to extend infrastructure to unserved communities and promote a culture of quality service and payment thereof by end March 2019.</li> </ul>   |

# OUTCOME ORIENTED GOALS AND STRATEGIC OBJECTIVES

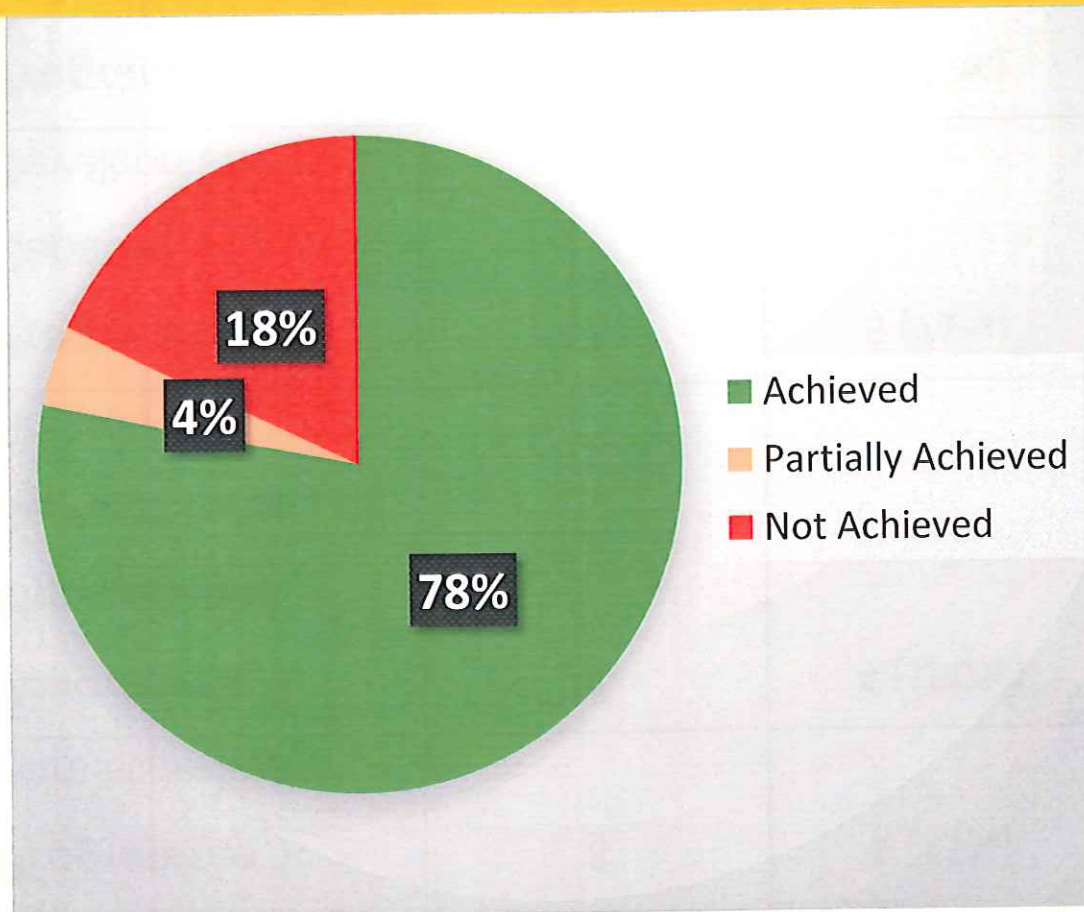
| OUTCOME ORIENTED GOALS  | STRATEGIC OBJECTIVES  |
|---|---|
| SG 3: Building institutional resilience and initiate the next phase of institutional building | <ul style="list-style-type: none"> <li>• <b>Strategic Objective 3.1:</b> Facilitate capacity building initiatives in order to build a capable local government by end March 2019.</li> <li>• <b>Strategic Objective 3.2:</b> Professionalization of technical municipal officials.</li> </ul>   |
| SG 4: Provide reliable strategic support services to MISA's core programmes                   | <ul style="list-style-type: none"> <li>• <b>Strategic Objective 4.1:</b> Provide effective and efficient legal and contract management support to the organisation.</li> <li>• <b>Strategic Objective 4.2:</b> Provide effective monitoring and evaluation of the outputs, outcomes and impact of MISA's programmes in local government.</li> </ul> |



## SUMMARY OF 2015/16 ANNUAL PERFORMANCE PER PROGRAMME

| Programmes  | Total number of 2015/16 annual targets | Number and % of targets achieved | Number and % of targets partially achieved | Number and % of targets not achieved |
|---|--|----------------------------------|--|--------------------------------------|
| <b>Programme 1:</b><br>Administration                           | 8                                      | 6 (75%)                          | 1 (12.5%)                                  | 1 (12.5%)                            |
| <b>Programme 2:</b><br>Municipal and Sectoral Technical Support | 4                                      | 4 (100%)                         | 0 (0%)                                     | 0 (0%)                               |
| <b>Programme 3:</b><br>Capacity Development                     | 7                                      | 5 (71%)                          | 0 (0%)                                     | 2 (29%)                              |
| <b>Programme 4:</b><br>Strategic Support                        | 4                                      | 3 (75%)                          | 0 (0%)                                     | 1 (25%)                              |
| <b>Total</b>  | <b>23</b>                              | <b>18 (78%)</b>                  | <b>1 (4%)</b>                              | <b>4 (18%)</b>                       |

## OVERALL 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES



Out of 23 planned targets:

- ✓ 18/23 (78%) were achieved;
- ✓ 1/23 (4%) were partially achieved; and
- ✓ 4/23 (17%) were not achieved

| Achievement trends over the 2014-2019 MTSF |            |
|--|------------|
| 2014/15 FY                                 | 2015/16 FY |
| 79%  | 78%        |

## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 1.1: Provide effective and efficient corporate governance and administrative support services for MISA to deliver on its mandate**

| Annual targets  | Performance  | Reasons for variance | Corrective actions |
|---|--|----------------------|--------------------|
| Approved Annual Performance Plan Tabled in Parliament within deadline | <b>Achieved</b><br>Approved APP was tabled in Parliament within the deadline     | None                 | None               |
| Approved stakeholder management plan implemented and reviewed         | <b>Achieved</b><br>Approved stakeholder management plan implemented and reviewed | None                 | None               |



## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

### Strategic objective 1.2: Effective internal controls, risk management and governance structures

| Annual targets   | Performance  | Reasons for variance | Corrective actions |
|--|--|----------------------|--------------------|
| Establishment and ensuring the functionality of Audit and Risk Management Committees | <b>Achieved</b><br><br>Audit and Risk Management Committees established and fully functional | None                 | None               |
| Developed, approved and implemented Internal Audit Plan                              | <b>Achieved</b><br><br>Internal Audit Plan developed, approved and implemented               | None                 | None               |
| Approved Strategic and operational risk registers                                    | <b>Achieved</b><br><br>Strategic and operational risk registers are in place                 | None                 | None               |

## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 1.3: Provide efficient and effective corporate governance and administrative support services in relation to MISA's financial administration and corporate services**

| Annual targets   | Performance               | Reasons for variance  | Corrective actions   |
|--|---------------------------|---|--|
| Skills audit outcomes implemented as per the plan      | <b>Not achieved</b>       | The approach adopted was for MISA to participate in the CoGTA wide skills audit process under the leadership of the parent department (DCoG). The process did not take off in the year under review | Skills audit will be conducted as part of the process of implementing the shared services centre arrangement for CoGTA, which is currently under way |
| Unqualified audit findings with no matters of emphasis | <b>Achieved</b>           | None  | None   |
| Back to basics dashboard monitored and maintained      | <b>Partially Achieved</b> | The B2B dashboard was developed on the MIPMIS system, monitoring and maintenance couldn't be done since the application was not   | A different approach was undertaken to integrate different systems within the CoGTA Portfolio, which resulted in B2B dashboard not implemented. The  |



## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 2.1: Facilitate improvements in service delivery by coordinating all sustainable infrastructure development and maintenance initiatives in order to extend infrastructure to unserved communities and promote a culture of quality service and payment thereof by end March 2019**

| Annual targets   | Performance  | Reasons for variance   | Corrective actions |
|--|--|--|--------------------|
| 34 Number of municipalities supported with project management to develop, implement, and refurbish sectoral infrastructure projects, which include water, sanitation, energy, road and storm water, solid waste and Human Settlements. | <b>Achieved</b><br><br>38 municipalities were provided with project management support to develop and implement, infrastructure projects | MISA improved its operational efficiency by employing more technical consultants to provide services to municipalities. This led to MISA support being provided to additional municipalities thereby exceeding the target for the KPI. | None               |
| 33 municipalities assisted with the development and implementation of sectoral and strategic plans   | <b>Achieved</b><br><br>33 municipalities were assisted to develop Master Plans and Strategic Plans.                                      | None   | None               |



## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 2.1: Facilitate improvements in service delivery by coordinating all sustainable infrastructure development and maintenance initiatives in order to extend infrastructure to unserved communities and promote a culture of quality service and payment thereof by end March 2019**

| Annual targets   | Performance  | Reasons for variance  | Corrective actions |
|--|--|---|--------------------|
| 21 municipalities supported to develop, review and implement Operations and Maintenance Plans, including spending of minimum 7% of the OPEX budget | <b>Achieved</b><br><br>21 municipalities were supported to develop Operations and Maintenance plans.                         | None  | None               |
| 50 Municipalities supported to capture and manage the infrastructure asset through MIPMIS  | <b>Achieved</b><br><br>66 municipalities were trained to utilise MIPMIS as a tool utilised to capture infrastructure assets. | More municipalities within some districts than originally planned were represented in some of the training session resulting in a higher number of municipalities being trained that the targeted number without additional costs being incurred. | None               |

## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 3.1: Facilitate capacity building initiatives in order to build a capable local government by end March 2019**

| Annual targets  | Performance  | Reasons for variance  | Corrective actions |
|---|--|---|--------------------|
| 400 municipal officials undergoing technical training courses   | <b>Achieved</b><br>988 municipal officials trained through technical short courses         | The reason for exceeding the target was that most of the courses offered were oversubscribed and a decision was taken to accommodate all municipal officials who turned out to attend training within the budgeted amount | None               |
| 100 technical municipal officials supported through Road to Registration Course towards attaining professional registration | <b>Achieved</b><br>100 municipal officials trained through the Road to Registration course | None  | None               |



## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

### Strategic objective 3.2: Professionalisation of technical municipal officials

| Annual targets   | Performance   | Reasons for variance  | Corrective actions   |
|--|---|---|--|
| 186 Students awarded with bursaries for studies in technical professions | <b>Achieved</b><br><br>186 students received financial support for their studies through MISA technical bursary | None  | None   |
| 400 Number of Apprentices trained  | <b>Achieved</b><br><br>377 apprentices undergoing training  | The number of apprentices remaining in the programme at the end of the financial year was lower than the target of 400 because some learners dropped out and others completed their training during the year. MISA has stopped the recruitment of new apprentices due to the new approach to apprentices training that places the primary responsibility for employing learners to municipalities | As part of the phasing out of the artisan training programme in the current form, the number of apprentices will be allowed to progressively decline as more learners exit the programme through passing trade test or natural attrition |



## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

| Strategic objective 3.2: Professionalisation of technical municipal officials |  |   |  |
|---|--|---|--|
| Annual targets  | Performance  | Reasons for variance  | Corrective actions   |
| 100 Water/ Wastewater Process Controllers trained                             | <b>Achieved</b><br><br>87 water and waste water process controllers completed the training and reached NQF Level 2 and 13 learners resigned before completing the training | The number of learners that completed the training is lower than the target due to resignations but the original number of learners enrolled for the training was 100   | None   |
| 60 Young Graduates supported towards professional registration                | <b>Not Achieved</b><br><br><b>35</b>   | The target was not reached because of discontinuation of the recruitment of new learners due to the new approach that assigns primary responsibility for employing learners to municipalities providing workplace training opportunities for graduates trainees | A recruitment process to increase the number of Young Graduates with the aim of meeting the performance target in the 2016/17 Annual Performance Plan is under way |

## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

| Strategic objective 3.2: Professionalisation of technical municipal officials |                                  |   |  |
|---|----------------------------------|---|--|
| Annual targets  | Performance                      | Reasons for variance  | Corrective actions   |
| 170 Experiential learners supported to acquire workplace experience           | <b>Not Achieved</b><br><b>42</b> | The target was not reached because of discontinuation of the recruitment of new learners due to the new approach that assigned the primary responsibility for employing learners to municipalities providing workplace training opportunities for experiential learners | A recruitment process to increase the number of Experiential Learners Young Graduates with the aim of meeting the performance target in the 2016/17 Annual Performance Plan is under way |

## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 4.1: Provide effective and efficient legal and contract management support to the organisation**

| Annual targets   | Performance  | Reasons for variance | Corrective actions |
|--|--|----------------------|--------------------|
| Contract management and monitoring system implemented  | <b>Achieved</b><br><br>Contract management and monitoring system implemented. Five 5 contract management workshops covering 7 provinces were conducted (NW, Gauteng, Limpopo, KZN, EC, Mpumalanga and FS). | None                 | None               |
| 100% of legal opinions and contracts drafted and feedback provided within 15 working days upon receipt of the request. | <b>Achieved</b><br><br>All the 7 legal opinions and 85 Contracts, 6 MoUs and 43 Addendums were drafted and feedback provided within 15 working days of receiving the request                               | None                 | None               |



## 2015/16 PERFORMANCE ON PREDETERMINED OBJECTIVES

**Strategic objective 4.1: Provide effective monitoring and evaluation of the outputs, outcomes and impact of MISA's programmes in local government**

| Annual targets  | Performance   | Reasons for variance                                    | Corrective actions   |
|---|---|---|--|
| 5 compliance M&E reports developed and approved within prescribed timelines | <b>Achieved</b><br><br>Four quarterly performance reports and one annual report | None  | None   |
| 4 programme and project evaluation reports compiled and approved            | <b>Not Achieved</b>   | Inadequate internal capacity to facilitate evaluations. | The targeted number of programme evaluations to be performed during 2016/17 has been reduced to two in line with the capacity within the relevant unit |



**Cooperative Governance  
Traditional Affairs**

## **PART B**

# **2015/16 FINANCIAL PERFORMANCE**

# **AUDIT OUTCOME FINANCIAL STATEMENTS**

| <b>2013/14</b>                       | <b>2014/15</b>                       | <b>2015/16</b>                       |
|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Unqualified<br/>Audit Opinion</b> | <b>Unqualified<br/>Audit Opinion</b> | <b>Unqualified<br/>Audit Opinion</b> |



# APPROPRIATION STATEMENT

| Appropriation per programme<br>R'millions   | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance   | Expenditure as % of final appropriation |
|---|------------------------|-------------------|----------|---------------------|--------------------|------------|---|
| <b>TOTAL</b>                                | <b>304,0</b>           | <b>-</b>          | <b>-</b> | <b>304,0</b>        | <b>294,8</b>       | <b>9,2</b> | <b>97%</b>                              |
| <b>Administration</b>                       | 49,4                   |                   | -        | 49,4                | 54,0               | -4,6       | 109%                                    |
| <b>Municipal Sectoral Technical Support</b> | 172,4                  | (15)              | -        | 157,4               | 154,9              | 2,5        | 98%                                     |
| <b>Capacity Building</b>                    | 66,9                   | 15                | -        | 81,9                | 72,0               | 9,9        | 88%                                     |
| <b>Vendor Services</b>                      | 15,3                   |                   | -        | 15,3                | 13,9               | 1,4        | 91%                                     |

# **REASONS FOR OVER/UNDER- EXPENDITURE**

**The surplus for the 2015/16 financial year consist of the following:**

- **The total surplus for the financial year is R11,4m. The surplus consists of R11,8m underspent on compensation of employees; R2.7m overspent on goods and services due to amortisation of intangibles and R2,3m received from other income (management fees).**
- **The under spending mainly relate to the organisational structure that is not fully populated and the previous Minister had only approved for one post to be filled. MISA has since refined its strategy and revised its organisational structure and obtained concurrence from Department of Public Service and Administration in January 2017.**



# KEY FINDINGS AND REMEDIAL ACTIONS

## ➤ Expenditure Management

| Key Findings  | Key Actions Being Implemented  |
|---|--|
| <ol style="list-style-type: none"><li>1. Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in accordance with Treasury regulation 16A9.2.</li><li>2. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in accordance with Treasury regulation 16A8.3.</li><li>3. IT goods/ services which are classified as "mandatory IT goods and service" were not procured through SITA in contravention of Treasury Regulation 16A6.3(e).</li></ol> | <ul style="list-style-type: none"><li>• MISA has since revised its policy and standard operating procedures to ensure compliance with all rules and regulations. The SBD 9 form is now a mandatory requirement for all tenders.</li><li>• MISA has since revised its policy and standard operating procedures to ensure compliance with all rules and regulations. The SBD 4 form is now a mandatory requirement for all tenders.</li><li>• Management took a decision that all IT related procurement must be done through SITA. Furthermore Management to put in place monitoring mechanisms to ensure that it complies with regulations and SITA Act.</li></ul> |



# KEY FINDINGS AND REMEDIAL ACTIONS

## ➤ Expenditure Management

| Key Findings  | Key Actions Being Implemented  |
|---|--|
| <p>4. Effective steps were not taken to prevent irregular expenditure, amounting to R162 339 454 as disclosed in note 22 of the AFS, as required by section 38(1) (c) (ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.</p>        | <ul style="list-style-type: none"> <li>Management has quantified all irregular expenditure and referred to internal audit for further investigation. As soon as the internal audit process is finalised, consequence management will be instituted against affected employees. MISA has written to National Treasury for condonement of some irregular expenditure incurred with no loss to the organisation. MISA has sought condonation from the Department of Telecommunications and Postal Services and SITA for condonation of MIPMIS irregular expenditure. In an effort to ensure full compliance with all SCM prescripts, rules and regulations, MISA has revised its SCM Policy and submitted to the Office of the Chief Procurement Officer in National Treasury for review and guidance.</li> </ul> |
| <p>5. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R486 833 as disclosed in note 21 of the AFS, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.</p> |  |
| <p>6. Contractual obligations and money owed by the entity were not settled within 30 days, as required by section 38(1) (f) of the Public Finance Management Act and Treasury Regulation 8.2.3.</p>  | <ul style="list-style-type: none"> <li>Management has developed a monitoring mechanism to ensure compliance with the prescribed 30 days requirements. There are no more payments made in excess of 30 days.</li> </ul>   |



# KEY FINDINGS AND REMEDIAL ACTIONS

## ➤ Predetermined Objectives

| Key Findings  | Key Actions Being Implemented  |
|---|--|
| 1. Key Performance Indicator 2.1.3 is not specific since it was aimed at the number of 21 municipalities to be supported but did not address measuring of the amount of OPEX budget spent | <ul style="list-style-type: none"><li>• Management has reviewed the standard operating procedure to provide for the review of performance indicators are reviewed by EXCO, Internal Auditors and the Auditor-General's Office before approval and submission of APP to National Treasury.</li></ul>                                  |
| 2. Actual performance against predetermined objectives included in the annual report not considered to be reliable  | <ul style="list-style-type: none"><li>• Performance information is reviewed by the Planning, Monitoring and Evaluation (PME) Committee and Internal Auditors, with a view to improving accuracy and reliability, prior to approval of performance reports for submission to the Executive Authority and National Treasury.</li></ul> |



# KEY FINDINGS AND REMEDIAL ACTIONS

## ➤ Predetermined Objectives

| Key Findings  | Remedial Actions Being Implemented   |
|---|--|
| <p>3. No supporting documentation provided to substantiate reasons for variances between planned and actual performance reported in the annual report</p>   | <ul style="list-style-type: none"> <li>• Performance information is reviewed by the Planning, Monitoring and Evaluation (PME) Committee and Internal Auditors, with a view to improving the accuracy and reliability, prior to approval of performance reports for submission to the Executive Authority and National Treasury, as provided for in the revised standard operating procedure manual.</li> </ul> |
| <p>4. Lack of sufficient supporting evidence for 30% of performance targets under Programme 2 (MSTS) and 32% under Programme 3 (Capacity Development) rendering reported information unreliable</p> | <ul style="list-style-type: none"> <li>• Various measures that include improvement in the information storage system, proper review of performance information and supporting evidence Technical Indicator Descriptions by the PME Committee and Internal Auditors are being implemented to improve the reliability and accuracy of performance information</li> </ul>   |



# KEY FINDINGS AND REMEDIAL ACTIONS

## ➤ Predetermined Objectives

| Key Finding  | Remedial Actions Being Implemented  |
|--|---|
| 5. Some of contracts for learners not signed by either the learner or both the learner and the MISA representative                             | <ul style="list-style-type: none"><li>• Personal files for learners are being reviewed and updated to ensure all required minimum personal documents, including contract signed by both parties are included in each file for completeness.</li></ul> |
| 6. Overstatement of commitment in relation to the contract for one of the technical consultants due to erroneous capturing of contract details | <ul style="list-style-type: none"><li>• The contract register has been updated and will be reviewed on a quarterly basis to ensure correctness and to keep it up to date.</li></ul>   |

# CONCLUSION

- This presentation is based on the approved audit report issued by the Auditor-General and the final annual report.
- The annual report is ready for printing prior to submission to Parliament and National Treasury.
- Management has been and will continue to direct more efforts at addressing weakness identified during the audit as captured in both the audit report and management report.
- The Post Audit Action Plan (PAAP) has been updated to incorporate remedial actions emanating from the AG's findings.
- Special attention will be placed on improving controls in the supply chain management function and management of performance information.
- Priority will also be given to the implementation of the new structure to create the necessary capacity for effective execution of our core mandate

**THANK YOU**