MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

ANNUAL REPORT

2021/2022 FINANCIAL YEAR

cooperative governance

Department
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

2030 NDP

MISA

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
Today, Creating a Better Tomorrow

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
Editorial, coordination, design and layout: MISA Communications
ISBN: 978-0-621-50294-7
RP: 112/2022
This report is also available on www.misa.gov.za

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MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

PART A: GENERAL INFORMATION

1. GENERAL INFORMATION FOR MISA

REGISTERED NAME:	MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
REGISTRATION NUMBER:	N/A
PHYSICAL ADDRESS:	1303 HEUWEL AVENUE
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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
B2B	Back to Basics
B-BBEE	Broad-based Black Economic Empowerment
APP	Annual Performance Plan
ARPL	Artisans Recognition for Prior Learning
B2B	Back to Basics
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DCOG	Department of Cooperative Governance
DDG	Deputy Director General
DDM	District Development Model
DM	District Municipalities
DORA	Division of Revenue Act
DoT	Department of Transport
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DWS	Department of Water and Sanitation
FFC	Financial and Fiscal Commission
FMPPI	Framework for Managing Programme Performance Information
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
HRD	Human Resources Development

IAA	Infrastructure Assessment and Analysis
ICT	Information Communication Technology
IIA	International Auditing Standards
IDMS	Infrastructure Delivery Management System
IDMS	Infrastructure Delivery Management Support Programme
IDMSC	Infrastructure Delivery, Maintenance and Stakeholder Coordination subprogramme
IMTT	Inter-Ministerial Task Team on Service Delivery
IDPs	Integrated Development Plans
IT	Information Technology
KZN	Kwazulu-Natal
LGSETA	Local Government Sector Training Education and Training Authority
LGTAS	Local Government Turnaround Strategy
LUMS	Land Use Management Schemes
M&E	Monitoring and Evaluation
MCDPs	Municipal Capacity Development Plans
MIG	Municipal Infrastructure Grant
MISA	Municipal Infrastructure Support Agent
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NT	National Treasury
OHS	Occupational Health and Safety
OSD	Occupational Specific Dispensation
PAAP	Post Action Audit Plan
PES	Presidential Economic Stimulus
PFMA	Public Finance Management Act

PMDS	Performance Management Development System
PMU	Project Management Unit
PSA	Public Service Act
PSP	Professional Service Providers
QAIP	Quality Assurance Improvement Programme
RMSC	Regional Management Support Contracts
SANRAL	South African National Road Agency Limited
SDF	Spatial Development Framework
SCM	Supply Chain Management
SMS	Senior Management Services
SO	Strategic Objectives
SONA	State of the National Address
SPLUMA	Spatial Planning and Land Use Management Act
TSP	Technical Support Plan
TVET	Technical Vocational Education and Training
WSP	Workplace Skills Plan

3. FOREWORD BY THE MINISTER

The Corona Virus infections that spread across the entire globe following its outbreak in China in late 2019 continued to ravage our shores during the 2021/22 financial year. As more people got infected with the virus and the number of deaths continued to rise, the impact on families across the entire country left the nation in dire straits. The negative impact of the pandemic on the economy decimated the revenue base of municipalities due to high rate of job losses and declining intergovernmental fiscal transfers from the depleted national revenues. Consequently, municipalities struggled to meet the needs for basic services within their respective areas of jurisdictions . Poor economic performance resulted in the reduced capital investments and operational budgets for the provision of infrastructure critical for basic service delivery.

As part of the Presidential Employment Stimulus (PES) package aimed at boosting economic activities during the COVID-19 pandemic , the Municipal Infrastructure Support Agent (MISA) contributed to the creation of jobs at local government level through the mainstreaming of labour-intensive construction (LIC) methods in the implementation of municipal infrastructure funded from conditional grants allocations . An amount of R50 million had been allocated for this programme from the previous year budget . The LIC programme was championed in various municipalities across the country during the financial year under review.

Another programme implemented by MISA as part of the PES package is the innovative waste management programme that was rolled out in various municipalities . A dedicated funding of R284 million was allocated to MISA from the PES package . The main focus of this pilot programme is to support 25 municipalities in the implementation of innovative solid waste management solutions with a two-pronged objective of creating work opportunities and training for participants and the development of small enterprises drawn from local communities.

MISA was assigned the task of spearheading the Eastern Seaboard project aimed at establishing a smart coastal city in the vast area straddling various districts in both Eastern Cape and Kwazulu-Natal Provinces . This project emanated from the smart city programme announce by the Honourable President, Cyril Ramaphosa, in his State of the Nation Address (SONA) in 2020 . Significant strides were made in so far as consultations with a myriad of stakeholders in areas affected by this project during the year under review . These consultations have culminated in overwhelming buy-in by various role players and those to be affected by the developments aligned with the smart city project. Numerous role players from all spheres of government , state owned entities and the private sector have coalesced around the project through different collaborative structures.

As the designated Executive Authority of MISA and in terms of relevant provisions of the Public Service Act of 1994, I initiated the process of establishing an Advisory Board for MISA. The process of appointing members with requisite skills to serve in the inaugural Board was at an advanced stage as at the end of the financial year under review. I am confident that once in

operation the advisory board will immensely enhances the ability of MISA to execute its mandate of supporting municipalities to optimally deliver infrastructure for basic services for the benefit of their communities.

In the year ahead, MISA will intensify its efforts to accelerate the implementation of the Eastern Seaboard project drawing resources and expertise from various sectors of society. Another critical task facing the Cooperative Governance and Traditional Affairs Portfolio (CoGTA) is the intervention programme in 64 most vulnerable municipalities in the country. These municipalities were identified during the assessment conducted as part of the District Development Model (DDM) during the year under review. MISA is at the forefront of efforts to address challenges relating to municipal infrastructure and service backlogs in these priority municipalities.

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

NC Zuma

DR NKOSAZANA DLAMINI ZUMA, MP
MINISTER

4. DEPUTY MINISTER STATEMENT

Since the publication of the White Paper on Local Government in 2000, the South African municipalities space has undergone tremendous transformation. Through successive local government elections, municipalities were able to institute Councils to lead their programme aimed at meeting the needs of communities. While our system of democratic and developmental local government has evidently brought about material changes to the lives of the people, unsatisfactory performance by some municipalities remain a justifiable cause for concern. During the year under review, CoGTA conducted an assessment under the auspices of the DDM with a view to ascertaining the status quo in local government.

This assessment revealed that 64 municipalities were in dire straits with some of these on the brink of total collapse. Numerous factors were identified as impacting on the ability of these municipalities to fulfil their Constitutional mandate. In light of these findings, the department of Cooperative Governance (DCOG) developed a comprehensive intervention plan aimed at assisting the 64 most vulnerable municipalities to improve their functionality and enhance their capacity to meet the needs of communities they serve. The implementation of this intervention will unfold in earnest during the 2022/23 financial year.

Recent floods that occurred in Kwazulu-Natal (KZN) province, especially in areas under the eThekwini Metropolitan Municipality, served to confirm the inescapable reality of climate change. Although the province had experience similar disasters in the past, the extent of damage and loss of lives due to recent floods were unprecedented. As we continue to rebuild the damaged infrastructure and homes for the people of KZN affected by these floods, it is crucial that we start to enhance the resilience of such infrastructure to minimise the impact of any future disasters of similar nature. These imperatives requires that government spheres collaborate around improved spatial planning and infrastructure designs. The Municipal Infrastructure Support Agent (MISA) is geared to play a pivotal role in the implementation of the intervention plan focusing mainly of enabling municipalities to effectively deal with infrastructure delivery challenges.

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

THEMBI NKADIMENG
DEPUTY MINISTER FOR COOPERATIVE GOVERNANCE

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW

For the year ended 31 March 2022, the Municipal Infrastructure Support Agent (MISA) received total revenue amounting to approximately R638 million. This amount comprises R629 million transferred to the entity from the National Revenue Fund through the CoGTA Vote (Vote 3) inclusive also of funding received from LGSETA and R8.7 million from earned interest. The fiscal transfer amount includes an allocation of R284 million earmarked for the rollout of the innovative solid waste management programme. MISA has been assigned to implement this programme as part of the Presidential Economic Stimulus programme aimed at boosting job creation in view of the severe impact on the country's economy of the lockdown induced by the onset of the COVID-19 pandemic. The late transfer of these funds caused delays in the start of the programme that in turn has a negative impact on spending against the allocated budget. Total expenditure for the year under review was about R445 million which amounts to 70% of the total revenue for the year of R638 million. As percentage of the total annual budget, spending for the year under review reflects an improvement from the previous year expenditure of 67%.

An amount of R179 million was spent of employee related costs, which represents 40% of the total expenditure for the year under review. Spending on contracted services amounted to R 220 million which constitutes 50% of the total expenditure. The remaining 10% of the total spending for the year relates to general expenses amounting to R41 million and depreciation and amortisement of R5 million. In the year under review MISA achieved targets for 30 of the 33 output indicators in the approved annual performance plan (APP) for the year.

The three performance targets not achieved are under the Technical Support Services (TSS) Programme. These three targets relate to the training of experiential learners, training of young graduates and the training of municipal officials through the recognition of prior learning (RPL) programme. The reason for not achieving performance targets for the first two indicators was delayed completion of the process of recruitment learners into the programme due to systematic challenges experienced by the South African Qualification Authority upon which MISA relies for verification of candidates ' qualifications. The achievement of performance target on the training of municipal officials was hampered by investigation on the procurement process towards appointing two public TVET colleges that delayed the enrolment of 80 officials in the programme. As measures to avoid the repeated under achievement in respect to performance targets linked to training of learners and municipal officials, MISA will strive to commence with the recruitment process far much earlier in the coming financial year to mitigate the impact of delays in response handling and verification of applicants. Additionally, management is exploring the option of devolving certain activities involved in the learning programmes to municipalities.

None of the output indicators in the approved annual performance plan (APP) was discontinue d during the year under reviewed. During the third quarter of the year two indicators under the Infrastructure Delivery Management Support (IDMS) were revised to reflect the shift from targeting the districts to focusing on individual municipalities in an endeavour to align the approach with National Treasury as leading partners.

These two indicators relates to support to municipalities on the implementation of Infrastructure Delivery Management System and enhancement of infrastructure procurement practices . One new output indicator was included in the APP during the same quarter . This indicator , also under the IDMS programme, is on support to municipalities to pilot innovative technologies and methods for solid waste management solutions. MISA was assigned to drive the roll out of this pilot programme targeting 25 municipalities utilizing a dedicated funding of R284 million allocated as part of the Presidential Stimulus Package (PES).

MISA management has applied for the rollovers of unspent funds from the previous financial year allocation amounting to R117 million. National Treasury did not approve this application forcing the entity to surrender such funds to the fiscus. Over the past five years MISA has succeeded in improving the internal control mechanisms within its supply chain management function. These improvements enabled the entity to prevent the incurrence of irregular expenditure over the past three financial years. Capacity within the SCM unit was strengthened by bringing in additional human resources through a co-sourcing arrangement. Notwithstanding this measure to enhance SCM capacity, the entity experienced delays the process of evaluating bids during the year under review. These delays were caused by high number of bids cancellation for one reason or another and unavailability of bid committee members. In the year under review the entity did not conclude any unsolicited bid proposal.

The Auditor-General (AG) did not raise any material findings in its audit report following the conclusion of 2021/22 audit. Accordingly , it issued an unqualified audit opinion without material findings (clean audit) for MISA in respect to that financial year. This followed the achievement of the same audit outcomes in the past three financial years. It is projected that MISA will continue to remain solvent for the foreseeable future on that assumption that National Treasury through DCoG will continue to allocate funds for the ongoing operations of

the entity. Following the occurrence of devastating floods in Kwazulu-Natal (KZN) province in April this year, MISA deployed a multi-disciplinary team of engineers to participate in the assessment of damages . This team has since completed its assessments including the costing and prioritisation of projects to rebuild damaged infrastructure in various districts withing the province.

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:
23/05/22

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

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

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

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

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

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

The accounting officer is responsible for establishing and implementing a system of internal control has been 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 2022.

Yours faithfully
Signed by:Goodman Ntandazo Vimba
Signed at:2022-05-24 15:33:23 +02:00
Reason:Witnessing Goodman Ntandazo

NTANDAZO G VIMBA
CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
DATE: 23/05/22

7. STRATEGIC OVERVIEW

7.1 Vision

Leaders in Municipal Infrastructure Support.

7.2 Mission

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

7.3 Values

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

- Integrity
- Collaborative
- Knowledgeable
- Professionalism
- Service Excellence

8. LEGISLATIVE AND OTHER MANDATES

8.1 MISA's Mandate

MISA 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.

8.2 Constitutional Mandate

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

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

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

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

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

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

DCoG's primary mandate is to:

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

8.3 Legislative Mandate

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

Name of Legislation	Mandate
Municipal Property Rates Act, 2004 (Act No.6 of 2004)	To regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies; to make provision for fair and equitable valuation methods of properties; and to make provision for an objections and appeals process therewith.

Name of Legislation	Mandate
Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)	To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.
Disaster Management Act, 2002 (Act No. 57 of 2002)	To provide for: • An integrated and coordinated disaster management policy, which focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery. • The establishment of national, provincial and municipal disaster management centres. • Disaster management volunteers. • Matters incidental thereto.
Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)	To provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities; to ensure universal access to essential services that are affordable to all; to define the legal nature of a municipality as including the local community within the municipal area, working in partnership with the municipality's political and administrative structures; to provide for the manner in which municipal powers and functions are exercised and performed; to provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change, which underpin the notion of developmental local government; to provide a framework for local public administration and human resource development; to empower the poor and ensure that municipalities establish service tariffs and credit control policies that take their needs into account, by providing a framework for the provision of services, service delivery agreements and municipal service districts; to provide for credit control and debt collection; to establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment.
Local Government: Municipal Structures Act,1998 (Act No. 117 of1998)	To provide for the establishment of municipalities, in accordance with the requirements relating to categories and types of municipality; to establish criteria for determining the category of municipality to be established in an area; to define the types of municipality that may be

Name of Legislation	Mandate
	established within each category; to provide for an appropriate decision of functions and powers between categories of municipality; to regulate the internal systems, structures and office-bearers of municipalities; to provide for appropriate electoral systems; and to provide for matters in connection therewith.
The Intergovernmental Relations Framework Act(Act No. 13, of 2005)	The objective of this Act is to facilitate coordination by the three spheres of government in the implementation of policy and legislation. It is a Framework Act, which allows for flexibility between the spheres in meeting the challenges within the conduct and practice of cooperative government. It also provides for the basic architecture of intergovernmental structures and for processes to guide the settlement of intergovernmental disputes.
Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)	To provide for criteria and procedures for the determination of municipal boundaries by an independent authority; and to provide for matters connected thereto.
Organised Local Government Act, 52 of 1997	To provide for the recognition of national and provincial organisations representing the different categories of municipalities; to determine procedures by which local government may designate representatives to participate in the National Council of Provinces; to determine procedures by which local government may consult with national and provincial government; to determine procedures by which local government may nominate persons to the Financial and Fiscal Commission, and to provide for matters connected therewith.
Fire Brigade Services Act, 99 of 1987	To provide for the establishment, maintenance, employment, coordination and standardisation of Fire Brigade Services; and for matters connected therewith.
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

Name of Legislation	Mandate
	and medical aid benefits of office bearers; to provide for the repeal of certain laws; and to provide for matters connected therewith.
Local Government: Cross-Boundary Municipal Act, 29 of 2000	To give effect to section 155(6A) of the Constitution by authorising the provincial executives affected to establish cross-boundary municipalities; to provide for the re-determination of the boundaries of such municipalities under certain circumstances, and to provide for matters connected therewith.

8.4 Policy Mandate

The National Development Plan (NDP) – Vision 2030

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

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

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

Medium Term Strategic Framework for 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. The implementation of the MTSF 2019-2024 was however disrupted by the outbreak of the COVID-19 pandemic and the declaration of a National State of Disaster on the 15 March 2020. Government had to reprioritise its plans and

budgets in response to the pandemic, which has had a devastating impact on the health, social and economic aspects of the lives of South Africans.

To fund government's relief measures, the President announced a R500 billion relief package which was unveiled in the Supplementary Budget on 24 June 2021. The President also launched the Economic Reconstruction and Recovery Plan (ERRP) on 15 October 2021, which sought to restore much needed economic growth and employment. The combination of all these factors has meant that the MTSF 2019-2024 had to be revised to include critical interventions that are part of government relief and recovery efforts.

The Revised MTSF 2019-2024 continues to reflect government's plan of action over the remaining term of the sixth administration. The Revised MTSF 2019-2024 also prioritises government commitments to prevail over the coronavirus pandemic and to work towards recovery. These commitments were outlined in the 2021 State of the Nation Address and include the following focus areas:

- Firstly, to defeat the coronavirus pandemic;
- Secondly, to accelerate our economic recovery;
- Thirdly, to implement economic reforms to create sustainable jobs and drive inclusive growth; and
- Finally, to fight corruption and strengthen the capacity of the state.

These commitments are included in the Revised MTSF 2019-2024 and will provide the focus for annual plans.

The revised MTSF continues to focus on the 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.

The Revised MTSF 2019-2024 demonstrates government's commitment to transparency and accountability across all spheres of government. We are determined to build a capable ethical developmental state, where there is accountability from the highest to the lowest level of the public service. The President has signed performance agreements with Ministers and Deputy Ministers to hold his Cabinet accountable for the implementation of the MTSF 2019 – 2024. These agreements are derived from the seven key priority areas that will guide government work for the year and contain a set of specific targets backed by performance indicators for a particular year, setting the country on a positive path to achieving our national development goals. The Revised MTSF 2019-2024 has a clear set of outcomes, indicators and targets to provide a clear framework for monitoring implementation by all spheres of government.

District Development Model

Government introduced the District Development Model (DDM) in 2019 to improve coordinated planning and service delivery. This will ensure that there is coordination and coherence in the implementation of government policies and programmes from national level through to provinces, metros and district municipalities. The Revised MTSF 2019-2024 will be cascaded and aligned to plans across our government to ensure that we work in an integrated manner. The DDM was introduced by the sixth administration as the primary implementation approach towards achieving the electoral mandate and overall development goals in an integrated, efficient and coherent manner in district and metropolitan spaces. Through the DDM, interventions identified in the MTSF find expression in district-level impact zones.

Relevant Court Rulings

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

Policy Initiatives

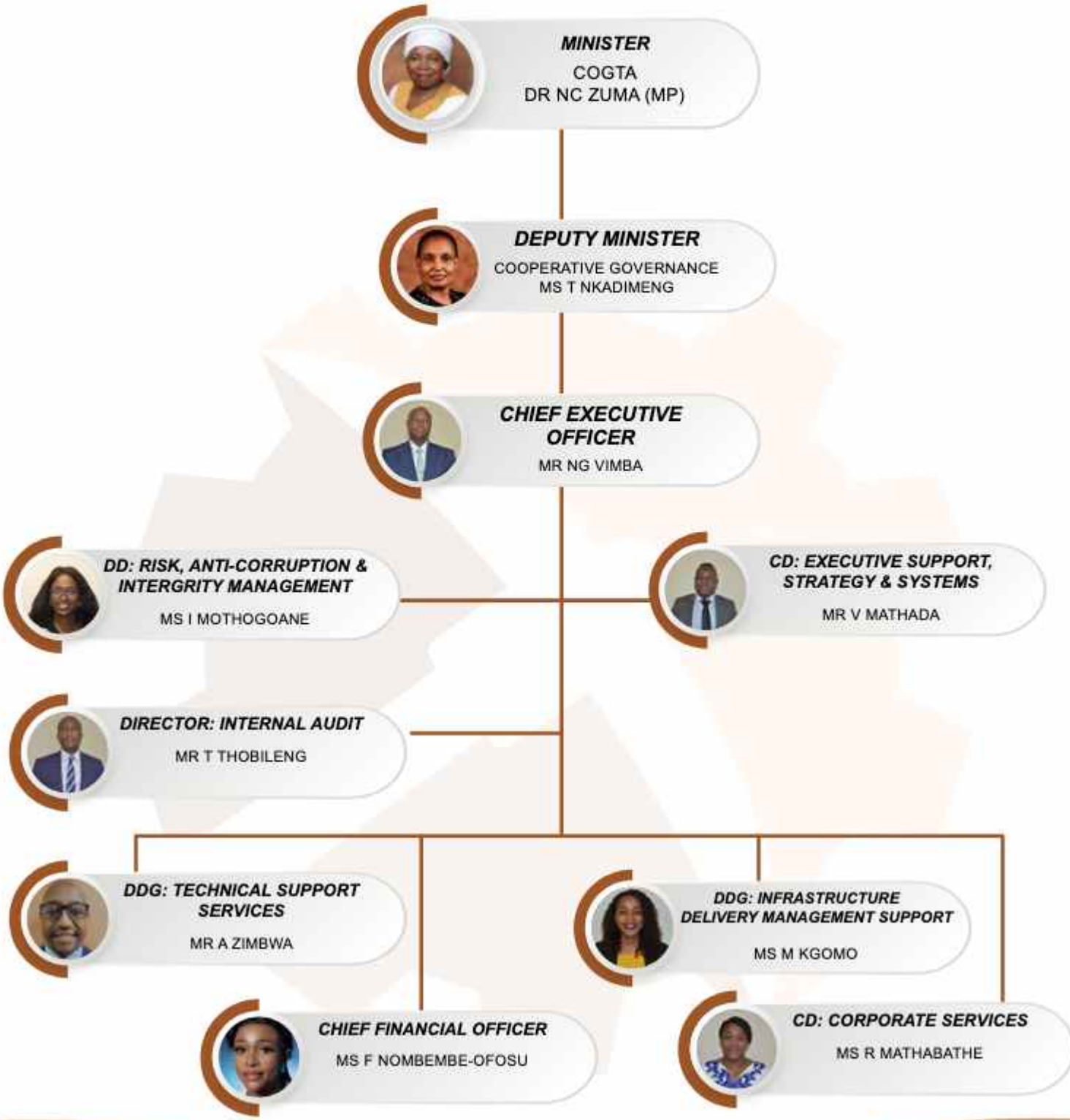
The envisaged outcome of the ongoing process of amending the Municipal Systems Act, 32 of 2000 with the aim of professionalising local government would go a long way in enabling the achievement of MISA's objective of building technical capacity in municipalities for improved delivery and management of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

9. ORGANISATIONAL STRUCTURE

At the beginning of the 2017/18 financial year, the Department of Public Service and Administration granted concurrence to the approved structure for MISA. Upon obtaining this concurrence, MISA management embarked on the filling of vacancies on the revised structure to strengthen organisational capacity. In implementing the new structure, management prioritised the filling of technical positions and other critical positions under the support

functions. Significant strides have been made in the appointment of engineers and other technical professionals on a permanent basis, in line with the Occupation Specific Dispensation (OSD) within the public service. This achievement has enabled the organisation to progressively reduce its reliance on consultants for performing its core function of providing technical capacity support to municipalities. The approved structure is presented below.

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



MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

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

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

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

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

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

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

This operating approach is aligned with the District Development Model (DDM) that was initiated by CoGTA during the 2020/21 financial year. The DDM identifies the district or metropolitan space as the platform of integrating planning and implementation of development programmes at local government level. Operating with the auspices of the DDM, MISA has been assigned the responsibility of coordinating efforts of role player involved in the municipal infrastructure value change to ensure integration of support to local government in infrastructure and service delivery.

During the year under review, the MTSF for 2019 – 2024 was revised and subsequently endorsed by the Cabinet Lekgotla in September 2021. MISA as with other government departments and public entities also started with reporting on the revised MTSF from the third quarter of the 2021/22 financial year. In addition to the implementation of the revised MTSF, MISA in the third quarter of the year under review, also received additional funding through the Presidential Employment Stimulus (PES) programme to support municipalities in piloting the implementation of innovative technologies and/or methods for solid waste management solutions. The receiving of the additional funding in quarter three placed pressure on the institution in utilising the funding fully due to the limited human resource capacity at the agency's disposal, in addition to the very short period available in spending the additional funding provided. As funding that has been ringfenced for the PES programme, MISA will be requesting National Treasury that the unspent funding be roll-over to the 2022/23 financial year as commitments have been made in terms of the unspent budget allocation from the PES programme.

2.2 Organisational Environment

MISA appointed the Deputy Director General: Technical Support Services (TSS) during the financial year under review thus rendering the top management structure of the institution fully capacitated.

Management made significant strides in filling vacancies on the approved staff establishment as reflected in the lower vacancy rate of 13% as at the end of the financial year under review. The agency experienced the challenge of high staff turnover among the technical professionals appointed in terms of the Occupation Specific Dispensation (OSD). The relatively high turnover rate in this employee category is due to the high demand for technically skilled personnel that pushes up remuneration levels in the private sector. To mitigate the risk of instability caused by frequent resignations, management developed a staff retention strategy paying particular attention to professional engineers. MISA started implementing the retention strategy, however gains are yet to be realised as the implementation only started in the last quarter of the financial year.

2.3 Key Policy Developments and Legislative Changes

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

2.4 MISA 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**
A capable, ethical and developmental state	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

MISA continued to provide support to the 44 district Municipalities to have access to sustainable services through strengthening of municipalities' capacity that provides 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 a disruption in services like the provisioning of non- revenue water and MISA through the development and implementation of water conversation and water demand plans has managed in the past year to improve water management system for the benefit of all in the Communities.

30 Selected districts have been identified for support on operations and maintenance activities to reduce the 8% target in our five-year strategic plan. Although 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. With the launch of the district development model MISA has supported 44 districts that were able to develop their coordinated infrastructure plans in 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 a further 8 districts to improve their infrastructure asset management practices, over-above this, MISA successfully motivated for the revision of the MIG framework to allocate 5% on annual bases for development/review of Asset Management Plans and further annual allocation of 10% catering for repairs & maintenance of infrastructure. 10 district municipalities were identified and supported with the development and/or implementation of Water Conservation or Water Demand Management (WC/WDM) strategies, with a further 10 districts supported with the implementation of Integrated Waste Management (IWM) services. MISA also identified 10 districts to develop electricity 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, creating reliable infrastructure provision and improvement of service delivery.

Assessment on infrastructure condition and municipal capacity in 6 districts was undertaken to assess the functionality of water and sanitation infrastructure including 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 human capacity were identified. These assessments contributed towards the number of districts supported to improve capacity to deliver infrastructure to increase access to water and sanitation services. The next step in the new

financial year would involve further interaction with municipalities to advise on areas of improvement recommending alternative technologies where required.

Initiatives undertaken in the 2021/22 financial year to improve efficiency in infrastructure management, through increased municipal technical capacity in 44 Districts, include the following:

- MISA contributed towards creating a technical skills pipeline in municipalities through placement of 282 youth (learners and candidates) in host municipalities across the country.

- A total of 519 municipal officials, from 39 Districts, attended MISA facilitated technical skills training causes 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.

- 57 municipal general workers, from 08 Districts, were enrolled in the MISA Recognition of Prior Learning (RPL) Programme to enhance their technical skills and work towards obtaining formal qualifications.

- MISA supported 15 pilot municipalities from 07 Districts in implementing their Municipal Capacity Development Plans. 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 2021/22 financial year seven (7) local municipalities (spread across 5 district municipalities) were supported to implement the long-term infrastructure investment plans and seven (7) municipalities (spread across 6 district municipalities) were support with the accessing of alternative funding sources. Five (5) municipalities were supported on climate change mitigation and adaption funding. Over the next outer years of the MTEF, the unit will continue to collaborate with the financiers and other relevant stakeholders (SALGA, National Treasury, etc.) to extend the support to other districts that have not been supported.

Over the MTEF period, The Framework Contracts and Infrastructure Procurement 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 strategy through the use of framework contracts to improve infrastructure procurement efficiencies and shorten procurement period. All these programmes were implemented utilising the operational budget. Eight (8) Municipalities were supported with the

implementation of IDMS whilst twenty-five (25) Municipalities were supported with the enhancement of infrastructure procurement practices to improve capacity to deliver infrastructure to increase access to water services for both local and districts supported over five years.

Annual Performance Plan Revision 2021/22

Re-tabled APP 14 December 2021

DPME issued circular 2 of 2021 to provide guidance on the revision and re-tabling of the 2021/22 Annual Performance Plans (APPs) and the 2020-2025 Strategic Plans (SPs), where applicable. DPME identified the following factors to be considered when revising APPs and/or SPs:

- July 2021 unrest in KwaZulu-Natal, Gauteng and other parts of the country;
- Impact of the COVID-19 pandemic and the lockdown on service delivery;
- Budget adjustments; and
- Government interventions such as the Economic Reconstruction and Recovery Plan (ERRP).

MISA has decided to revise its annual performance plan due to the continuous impact of the COVID-19 pandemic and the economic recovery changes that has adversely impacted on the entity's ability to achieve performance targets in respect of one output and two output indicators in the approved APP. In addition to the latest Presidential Employment Stimulus package approval for MISA through the Infrastructure Delivery Management Support (IDMS) Programme to implement the Innovative waste management solutions for 25 municipalities, MISA has added this new indicator to our proposed revised APP for 2021/22.

3. INSTITUTIONAL PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: ADMINISTRATION

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

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

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

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

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

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

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

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

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

3.1.2 Sub-programme: Corporate Management Services

Corporate Management Services sub programme reports directly to the Chief Executive Officer and provides administrative support to the entire organisation. It consists of the following functions:
Human Resource Management and Development provides the human resource administration and development services. It is also responsible for labour relations and employee wellness services within the organisation.

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

Security and Facilities Management Services is responsible for ensuring that both staff and other resources within the organisation are protected and that the work environment is conducive for productive performance.

Communications is responsible for managing the provision of communication services within the organisation. It provides both internal and external communication services, media liaison support, public liaison, events management, publication and photo journalism support, as well as developing and maintaining the departmental website.

3.1.3 Sub-programme: Financial Management Services

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

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

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

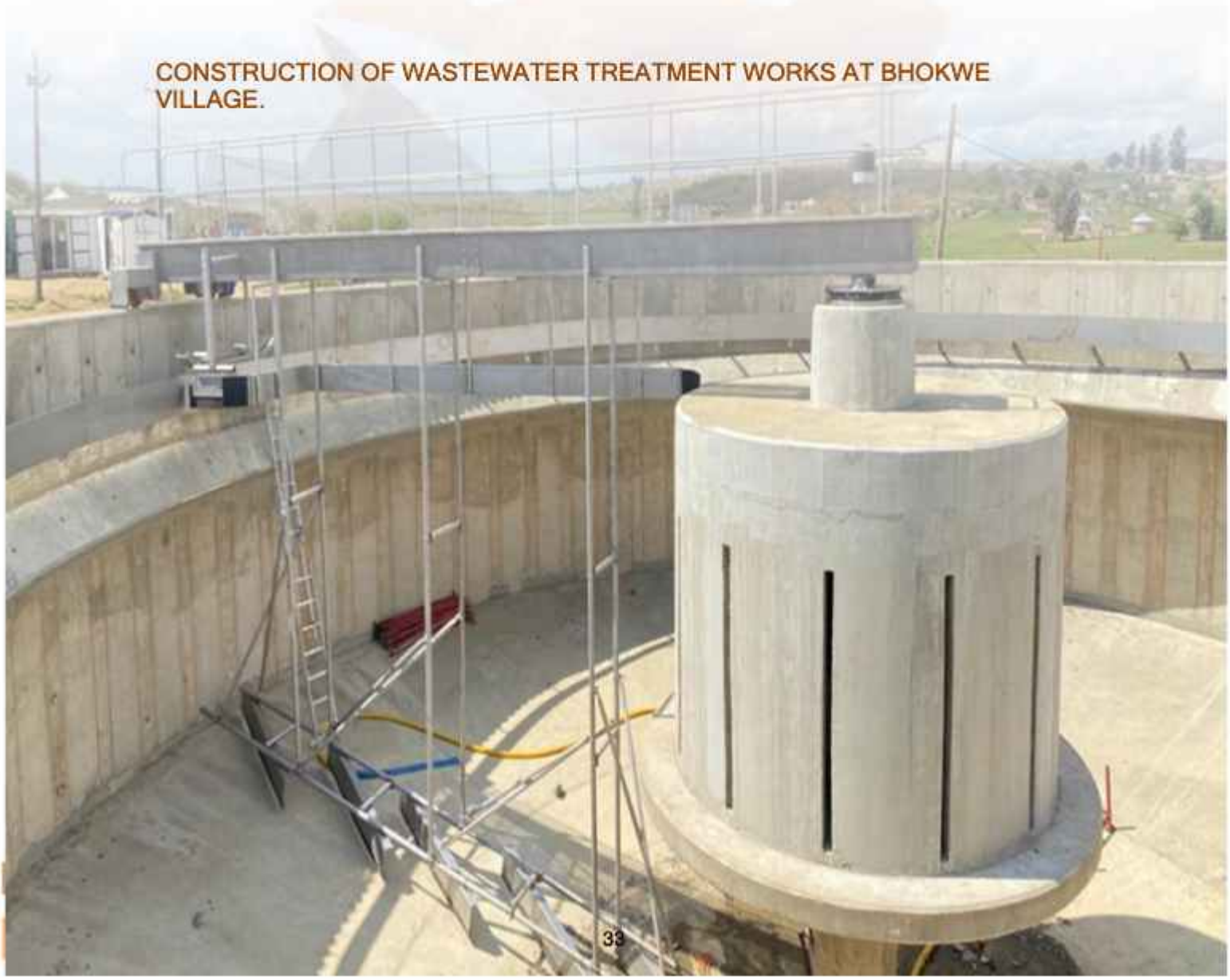
Supply Chain and Asset Management facilitates the development and monitors the implementation of supply chain management policies, processes and systems. It also provides procurement and asset management support within the organisation.

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

3.1.4 Programme Institutional Outcome(s) contribution

The programme is contributing to the following outcome(s):

- Improved governance, administrative support system and ethical practices.



CONSTRUCTION OF WASTEWATER TREATMENT WORKS AT BHOKWE VILLAGE.

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

Re-Tabled Annual Performance Plan 2021/22

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
Improved governance, administrative support system and ethical practices.	Approved communication strategy	Approved communication strategy implemented	Approved communication strategy implemented	Approved communication strategy implemented	Four (4) quarterly reports on the implementation of the approved communication strategy	**Achieved** Four (4) quarterly reports on the approved communication strategy implemented.	N/A	N/A
	Risk Management Plan	Annual risk management plan implemented	Annual risk management plan implemented	Annual risk management plan implemented	Four (4) quarterly reports on the implementation of the risk management plan	**Achieved** Four (4) quarterly reports on the risk management plan implemented	N/A	N/A
	Internal audit plan	Annual internal audit plan implemented	Annual internal audit plan implemented	Annual internal audit plan implemented	Four (4) quarterly reports on the implementation of the approved internal audit plan	**Achieved** Four (4) quarterly reports on the approved internal audit plan implemented	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
	Approved ICT Operational Plan	Approved ICT operational plan implemented	Approved ICT operational plan implemented	Approved ICT operational plan implemented	Four (4) quarterly reports on the implementation of the approved ICT Operational Plan	**Achieved** Four (4) quarterly reports on the approved ICT Operational Plan implemented	N/A	N/A
	Unqualified audit opinion on the annual financial statements	Achieve unqualified audit opinion on annual financial statements	Unqualified audit opinion withoutmaterial findings (clean audit) on annual financial statements for the 2018/19 financial year.	Achieve unqualified audit opinion on annual financial statements 2019/20	Achieve unqualified audit opinion on annual financial statements 2020/21	**Achieved** Unqualified audit opinion without material findings (clean audit) on annual financial statements for the 2020/21 financial year.	N/A	N/A
	Approved procurement plan	Approved procurement plan implemented	Procurement plan approved and implemented.	Approved procurement plan implemented	Four (4) quarterly reports on the implementation of the approved procurement plan	**Achieved** Four (4) quarterly reports on the 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	2021/22			2020/21		
	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	**92 735**	**91 714**	**1 021**	**91 969**	**82 865**	**9 104**

The biggest proportion of the budget allocated for goods and services under the Administration Programme covered the costs of services provided to the agency in relation to Facilities Management, Internal Audit and ICT functions. Spending on the budget allocated for these services was relatively good with only about 1% 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 99% as at 31 March 2022.

3.2 PROGRAMME 2: TECHNICAL SUPPORT SERVICES

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

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

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

The Programme consists of the following sub-programmes:

3.2.1 Sub-programme: Infrastructure Assessment and Analysis

The primary aim of the sub-programme is to lay a sound basis for establishing the support requirements for each of the selected municipalities. This determination is based on the 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 response to the predetermined needs for each targeted municipality.

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

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

3.2.3 Sub-programme: Technical Skills

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

3.2.4 Programme Institutional Outcome(s) contribution

The programme is contributing 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 District Development Model;
- 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 household access to basic services.

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

Re-Tabled Annual Performance Plan 2021/22

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	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	20 municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	10 Districts supported with development or implementation of WC/WDM strategies.	10	**Achieved** 10 Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented.	N/A	N/A
Efficiency in infrastructure management	Alignment of bulk water infrastructure and reticulation in priority WSAs	Number of WSA's supported with integration and prioritization of strategies for of reticulation projects in	5 Final feasibility studies reports compiled and approved.	5 WSAs supported with the integration of priority projects with the Municipal IDP projects	5	**Achieved** 5WSA's supported with integration and prioritization of strategies for alignment of bulk and reticulation projects in	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
		municipal IDPs				municipal IDPs		
	Municipalities supported with enhancement of job creation through implementation of labour-intensive infrastructure projects	Number of municipalities supported with mainstreaming Labour Intensity Construction Methods in the projects implemented through conditional grants	New	Progress report (Business Case approval, consultation with stakeholders, etc.) developed	15	**Achieved** 15 municipalities supported with mainstreaming Labour Intensity Construction Methods in the projects implemented through conditional grants	N/A	N/A
	Improvement in municipal infrastructure asset management practices	Number of districts supported to improve infrastructure asset management practices	New	New	8	**Achieved** 8 districts supported to improve infrastructure asset management practices.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
	Districts supported with implementat-ion of Operations and Maintenance related activities	Number of districts supported with implementat-ion of Operations and Maintenance related activities	20 municipalities supported with implementation of Sector Plans (Energy, Water Conservation and Demand Management Plans, Operations and Maintenance plans).	30 Districts supported with implementation of Operations and Maintenance plans	30	**Achieved** 30 districts supported with implementation of Operations andMaintenance related activities.	N/A	N/A
	Districts supported to improve performance on MIG Programme	Number of districts supported to improve performance on MIG Programme and reduce infrastructure backlog	Only 14 of the 87 municipalities supported through District Support Teams achieved at least 70% spending on their MIG	20 out of44 districtsw ere able to improve their expenditure to at least 90%	44	**Achieved** 44 districts supported to improve performance on MIG Programme and reduce infrastructure backlogs.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
			allocations as at the end of March 2020.					
	Youth enrolled in the MISA Apprenticeship Programme	Number of youth enrolled in the MISA Apprenticesh-ip Programme	134 Learners enrolled into the MISA Apprenticeship Programme	104 Apprentices enrolled into the programme	100	**Achieved** 100 learners enrolled into the Apprenticeship Programme	N/A	N/A
	Youth enrolled in the MISA Experiential Learning Programme	Number of youth enrolled in the MISA Experiential Learnership Programme	75 Learners enrolled in the MISA Experiential Learnership Programme	30 Experiential Learners enrolled in the Programme.	70	**Not Achieved** 39 learners enrolled into the Experiential Learnership Programme	-31	The enrolment of 31 learners could not be concluded due to delays in concluding the recruitment process. Finalisation of verification of qualifications and conducting criminal record checks depended on support from external agencies

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
								(SAQA and SAPS). Both agencies experienced challenges with their own systems, leading to unforeseen delays in concluding the recruitment process.
	Youth enrolled in the MISA Young Graduate Programme	Number of Youth enrolled in the MISA Young Graduate Programme	137 Candidates enrolled into MISA Young Graduates programme	114 Young Graduates enrolled in the programme	150	**Not Achieved** Only 143 youths enrolled in the MISA Young Graduate Programme.	-7	The enrolment of the outstanding 7 youths could not be concluded due to the delays in concluding the recruitment process. Finalisation of verification of qualifications is depended on support from an external agency (SAQA).

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
								SAQA experienced challenges with its own system, leading to unforeseen delays in concluding the recruitment process.
	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	132 students provided with bursaries for studies in technical professions.	75 students awarded with bursaries	100	**Achieved** 100 Students awarded with Bursaries	N/A	N/A
	Municipal officials trained in municipal infrastructure management	Number of municipal official trained in municipal infrastructure	291 municipal officials provided with technical skills training	482 Municipal officials trained in municipal infrastructure management	500	**Achieved** 519 municipal officials offered training	+19	Additional 19 municipal officials were trained due to demand and strategy to mitigate

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
		management						for possible late withdrawals, with no additional costs being incurred.
	Municipal officials capacitated through recognition of prior learning programmes	Number of municipal officials enrolled in MISA Recognition of Prior Learning (RPL) programmes	49 municipal officials enrolled in the MISA ARPL programme.	123 municipal officials enrolled into the programme	100	**Not Achieved** 57 Municipal officials were enrolled in MISA's Recognition of Prior Learning Programmes.	- 43	The enrolment of 43 candidates could not be concluded owing to finalisation of an investigation into the procurement of services from public TVETs. The services of two training centres were, resultantly, put on hold. This resulted in the 80 additional RPL candidates who were recruited and enrolled in the Programme not undergoing

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
								technical assessment.
	Municipality capacity development plans implemented	Number of municipal capacity development plans implemented	Draft capacity development plans for 8 municipalities finalised and MCDP implementation progress reports for seven municipalities compiled.	15 MCPD's implemented in municipalities.	15	**Achieved** 15 Municipal Capacity Development Plans Implemented	N/A	N/A
Enhanced intergovernmental and interdepartmental coordination through the implementation of the District Developm-	Districts supported with the implementation of integrated infrastructure plans through DDM	Number of districts supported with the implementation of integrated infrastructure plans through DDM	New	23 Districts supported with implemented district-wide infrastructure plans.	44	**Achieved** 44 districts supported with the implementation of integrated infrastructure plans through DDM.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
ent Model								
A spatially just and transformed national space economy that enables equal access to social services and economic opportunit-ies in cities, regions and rural areas	SPLUMA compliant municipal spatial plans, policies, structures and systems reviewed.	Number of SPLUMA Compliant municipal spatial plans, policies, structures and systems reviewed	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 Districts supported with implementation of SPLUMA Compliant municipal spatial plans, SDF's and land-use schemes.	30	**Achieved** 30 SPLUMA Compliant municipal spatial plans, policies, structures, and systems reviewed.	N/A	N/A
	IDP's reviewed	Number of IDP's reviewed	New	New	17	**Achieved** 17 IDP's reviewed.	N/A	N/A
Improved municipal capacity to deliver	Districts supported to implement Solid Waste/ Integrated	Number of districts supported to implement Solid	New	10 Districts supported with to implement Integrated Waste	10	**Achieved** 10 districts supported to implement Solid	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
basic services, quality infrastruct-ure and integrated public transport to increase household access to basic services	Waste Management (IWM) services	Waste/Integrated Waste Management (IWM) services		Management (IWM) plans.		Waste/Integrated Waste Management (IWM) services		
	Districts supported to improve capacity and access to electricity services with implementation of a performance monitoring strategy and electricity supply management strategies	Number of districts supported to improve capacity and access to electricity services with implementat-ion of a performance monitoring strategy and electricity supply management strategies	New	8 Districts supported with implementation of a performance monitoring strategy and electricity supply management strategies	10	**Achieved** 10 districts supported to improve capacity and access to electricity services with implementation of a performance performance monitoring strategy and electricity supply management strategies.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
	Districts with implemented infrastructure inspectorate's assessment reports	Number of districts supported with the compilation and implementat-ion of infrastructure functionality assessment reports	10 of 18 targeted district municipalities were supported with water and sanitation infrastructure functionality assessments	Municipal infrastructure functionality assessments have been conducted and reports developed in 11 District Municipalities.	6	**Achieved** Compilation and implementation of Infrastructure functionality assessment reports for 6 district municipalities were completed. One final report card on the state of municipal infrastructure for districts assessed developed and approved.	N/A	N/A

Strategy to Overcome Areas of Under Performance

Recruitment of additional experiential learners will commence early in the financial year to mitigate for delays in response handling as a result of the volume of applications received as well as verification of qualifications and conducting criminal record checks. Early procurement of service providers for assessment, training and trade testing of municipal officials will assist in mitigating and accelerating implementation of the Recognition of Prior Learning Programme.

MISA is in the process of devolving some of its capacity development initiatives to municipalities with the view to optimising ownership of the programmes at a local level. This will circumvent some of the implementation challenges whilst empowering municipalities to take ownership of capacity development initiatives.

Within the YG programme, a pipeline that considers bursary recipients from MISA has been included in the YG policy to ensure that they are able to be part of the programme upon completion of their studies and that has assisted in creating additional resources required to fill in the targeted number of YG's within a financial year.

Linking Performance with Budget

	2021/22			2020/21		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
TSS	**272 113**	**267 104**	**5 009**	**291 807**	**163 005**	**128 802**

The level of spending on this programme over the entire financial year stood at about 98% as at 31 March 2022. Funds allocated for the three APP output targets not achieved were absorbed by other projects to which the agency committed before the end of the previous financial year. It was then envisaged that such commitments would be funded from funding retained from the 2020/21 budget. National Treasury did not approve MISA's application for retention of such funds amounting to R117 million leaving the agency with potential shortfall in allocation for goods and services. It is against this background, savings accruing from missed APP targets were relied on up to prevent overspending.

3.3 PROGRAMME 3: INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT

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

Programme Overview: The programme's objective is to deliver infrastructure projects on behalf of identified municipalities and provide infrastructure financing, procurement and contract management guidance and advice to municipalities. It will focus on the development of institutional capacity of municipalities to procure and contract manage infrastructure

projects efficiently and effectively. Through the Programme, MISA should be able to put in place national framework contracts for municipal infrastructure goods and services.

The Programme consists of the following sub-programmes:

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

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

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

3.3.4 Programme Institutional Outcome(s) contribution

The programme is contributing 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 14 December 2021

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22 until date of re-tabling	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/Annual Targets
Efficiency in infrastruct-ure managem-ent	Districts implementing IDMS and Framework Contracts	Number of districts implement-ing IDMS	Close-out report on three (3) municipalities supported to implement National Treasury IDMS compiled.	4 Districts supported with the implementatio n of IDMS	7	Only 5 Districts (eight municipalities) were supported with the implementation of IDMS.	-2	The APP target requires support to District municipalities the repealing of the SIPDM requires a new approach on the implementation of the IDMS which is currently on a piloting phase for 8 local municipalities that when consolidated result into 5 district municipalities	The main reason for the rewording of the output with its output indicators is as a result of the repealing of the Standard for Infrastructure Procurement and Delivery Management (SIPDM) by Framework for Infrastructure Delivery and Procurement Management (FIDPM) in terms of MFMA Circular 10. A new approach was therefore required to ensure

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22 until date of re-tabling	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/Annual Targets
									that support to municipalities with the implementation of the IDMS is aligned to local government policy direction. In response, National Treasury initiated a programme for Enhancing Municipal Procurement, Infrastructure Management and Innovative Knowledge Management abbreviated as PINK Programme, with eight (8) municipalities selected.
		Number o district municipalities supported with the enhancement of infrastructure procurement practices	Report on 58 municipalities supported on the implementation of framework contracts compiled.	17 Districts supported with the utilisation of the Framework Contracts	15	13 municipalities supported with the utilisation of the Framework Contracts	-2	Engagements with the other two identified municipalities could not be undertaken after failing to secure suitable dates due to the November 2021 local government elections.	

Re-Tabled Annual Performance Plan 2021/22

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
Efficiency in infrastructure management	Municipalities supported with the implementation IDMS and enhancement of Infrastructure Procurement Practices	Number of municipalities supported with the implementation of IDMS	Close-out report on three (3) municipalities supported to implement National Treasury IDMS compiled.	5 Districts supported with the implementation of IDMS	7	**Achieved** 8 municipalities were supported with the implementation of IDMS.	+1	MISA had planned to support 7 district municipalities, upon the reappeal of circular 77 with circular 106 National Treasury identified 8 local municipalities to pilot the IDMS at local government. MISA then was required to collaborate and align with National Treasury in the project as no other municipalities were to be supported outside the pilot project

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
		Number of municipalities supported with the enhancement of infrastructure procurement practices	Report on 58 municipalities supported on the implementation of framework contracts compiled.	17 Districts supported with the utilisation of the Framework Contracts	15	**Achieved** 23 municipalities were engaged and supported with the enhancement of Infrastructure procurement practices	+8	The additional municipalities were supported as a response to the Assessment which was done by Infrastructure Technical Support unit which identified challenges on the Performance of the MIG
	Annual report on the state of municipal functionality for infrastructure delivery	Annual report developed on state of municipal functionality for infrastructure service delivery	New	New	1	**Achieved** Report on the state of municipal functionality for infrastructure delivery using input of the Municipal Infrastructure Service Delivery Functionality Model (A validation study) completed for 254	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
						municipalities across all provinces as part of a research project.		
	Strategic partnerships with other entities established to enhance municipal infrastructure developmen t efficiency	Number of municipalities supported to improve infrastructure development through partnerships with public, private sector and non-governmental entities	New	New	10	**Achieved** Annual Report focussing on 10 municipalities supported to improve infrastructure development through partnerships with public, private sector, and non-governmental entities.	N/A	N/A
Improved municipal capacity to deliver basic services, quality infrastruct-	Improved waste management services through innovative methods and	Number of municipalities supported to pilot implementati on of innovative technologies	New	New	25	**Achieved** 25 Municipalities supported to pilot implementation of innovative technologies and/or methods for solid	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
ure and integrated public transport to increase household access to basic services	technologies	and or methods for solid waste management solutions.				waste management solutions.		
Long term municipal infrastruct-ure investment	Long-term infrastructure investment plans implemented by municipal-ities	Number of municipalities supported with implementation of long-term infrastructure investment plans through DDM	New	Engagements held with the 5 municipalities, but no plans were developed for the identified municipalities.	7	**Achieved** Consultations on implementation of long-term infrastructure investment plans conducted with 7 municipalities through the PSP Model.	N/A	N/A
Efficiency in infrastruct-ure	Municipalities supported to access	Number of municipalities supported to access	New	14 municipalities supported to access private sector funding	7	**Achieved** 7 Municipalities supported to access alternative funding	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
managem-ent	infrastructure funding through alternative and innovative funding mechanisms and private sector participation	alternative funding sources for infrastructure development through DDM		to implement infrastructure projects through the PSP model		sources for infrastructure development .		
Increased access to climate change mitigation and adaptation funds by municipalit-ies	Improved access to funding for financing climate change mitigation and adaptation projects/acti vities.	Number of municipalities supported to plan and implement climate friendly projects through infrastructure grants and access funding for climate	New	Engagements held with the 5 municipalities, but no funding agreements have been signed between municipalities and the identified funders.	5	**Achieved** 5 municipalities were supported to plan and implement climate friendly projects. MISA and DBSA were requested to present the PSP Model to the strategic session of the municipality to bring new management team	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from Planned Target to Actual Achievement for 2021/22	Reasons for deviations
		climate change mitigation and adaptation projects.				management team up to speed with the PSP concept.		

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 Budgets

	2021/22			2020/21		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
IDMS	**314 023**	**89 734**	**224 288**	**38 377**	**19 257**	**19 120**

The overall level of spending of budget allocated to the IDMS Programme for the year was 29% as at 31 March 2022. The significant amount of under expenditure is attributable mainly to the delayed transfer of funds amounting to R284 million that was exclusively earmarked for the solid waste management programme. These funds were received only in November 2021 resulting in the late commencement of programme implementation. MISA intends to apply for retention of the balance of this allocation that remained unspent as at the end of the financial year to cover the costs of the programme rollout.

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 1 Borehole	Ntabankulu LM under Alfred Nzo DM (Eastern Cape)	N/A	N/A	R499 128. 98	R499 128.98	N/A	Portable water for the selected beneficiaries.
Drilling and equipping of 1 Borehole	Mnquma LM in Amathole DM (Eastern Cape)	N/A	N/A	R499 128.98	R499 128.98	N/A	Portable water for the selected beneficiaries.
Drilling and equipping of 1 Borehole	Nyandeni LM in OR Tambo DM (Eastern Cape)	51 HH	N/A	R799 365.00	R799 365.00	N/A	Portable water for the selected beneficiaries.
Drilling and equipping of 2 boreholes	Elundini LM-Ezingonyameni Nygel (Ugie rural) (Eastern Cape)	749 HH	N/A	R1598 730.00	R1598 730.00	N/A	Portable water for the beneficiaries.
Drilling and equipping of 1 Borehole	Chris Hani DM: Emalahleni (Eastern Cape)	N/A	N/A	R583 510.00	R583 510.00	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**
Drilling and equipping of 1 Boreholes	Winnie Madikizela Mandela LM in Alfred Nzo DM (Eastern Cape)	N/A	N/A	R583 510.00	R583 510.00	N/A	Portable water for the beneficiaries.
Drilling and equipping of 1 Borehole	Winnie Madikizela Mandela LM in Alfred Nzo DM (Eastern Cape)	N/A	N/A	R583 510.00	R583 510.00	N/A	Portable water for the beneficiaries.
Drilling and equipping of 4 Boreholes	uBuhlebezwe LM in Harry Gwala DM and Dr Nkosazana Dlamini Zuma LM (KwaZulu-Natal)	600 HH	N/A	R1 985866,00	R1 601 639,50	N/A	Portable water for the beneficiaries.
Protection and Refurbishment of a Spring, Construction of Storage Tanks and Pipe Network to Supply Portable Water	Nkumba village in the Dr Nkosazana Dlamini Zuma Local Municipality, Harry Gwala DM (KwaZulu Natal)	711 HH	N/A	R2 492 510.00	R829 380,00	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**
1) Siting, drilling, testing and equipping of solar powered 6no. boreholes and 1,5km connection 2) Siting, drilling, testing and equipping of solar powered 5no.boreholes and 2,2km of connection pipeline	Zululand DM (Kwa Zulu Natal)	415 HH	N/A	R6 500 000.00	R0	N/A	Portable water for the beneficiaries.
Boreholes, 1no.10kl steel tank and 3km reticulation network	Amajuba DM (Kwa Zulu Natal)	734 HH	N/A	R6 000 000.00	R0	N/A	Portable water for the beneficiaries.
Siting, drilling, testing and equipping of 6no. solar panel powered boreholes, 2km connection line to	uMzinyathi DM (Kwa Zulu Natal)	351 HH	N/A	R3 500 000.00	R0	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**
an existing to a rising main, 3no. 10kl steel tanks							
1) Siting, drilling, testing and Protection of 4 springs	Ugu DM (Kwa Zulu Natal)	44 HH	N/A	R2 400 000.00	R0	N/A	Portable water for the beneficiaries.
2) Siting, drilling and installation of 2 boreholes and 1km connection pipeline							
Siting, drilling, testing and equipping of a solar powered borehole	King Cetshwayo DM (Kwa Zulu Natal)		N/A	R600 000.00	R0	N/A	Portable water for the beneficiaries.
Refurbishment of eMondlo Wastewater and Water Works in the	Abaqulusi Local Municipality (KwaZulu-Natal)	4900 HH	N/A	R40 000 000	R 35 777 447,68	N/A	Adequate sanitation services and

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**
Abaqulusi Local Municipality							hygiene for beneficiaries
Construction of Water Supply Infrastructure for Enyathi and Bhokwe Villages	Ward 5 of Abaqulusi Local Municipality (KwaZulu-Natal)	250 HH	N/A	R19 390 035,54	R18 390 035,5	N/A	Portable water for the beneficiaries
Drilling and equipping of 2 Boreholes	Maluti-a-Phofung LM in Thabo Mofutsanyana DM - Tseki (Free State)	400HH	N/A	R 1 000 000	R 884 410,34	None	Potable water for COVID-19 relief.
Refurbishment of 4 Water Pump Stations in Qwaqwa	Maluti-a-Phofung LM in Thabo Mofutsanyana DM (Free State)	16 778 HH	N/A	R 8 000 000	R1 279 258,24	KPI- 1 (WCDM-Plan)	Potable water for COVID-19 relief. Initially it was 8 boreholes and now reduced 4.
Drill and equip 5 x new boreholes	Fetakgomo-Tubatse (Limpopo)	429 HH	N/A	R2 500 000,00	R1 980 238.18	None	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**
							Project funded by DBSA
Drill and equip 6 x new boreholes and refurbish 16 x existing ones	Greater Letaba (Limpopo)	2904 HH	N/A	R4 128 750,00	R2 277 000.00	None	Potable water for COVID-19 relief. Project funded by MISA.
Drill and equip 5 x new boreholes Replace 1 x pump at WTW Replace 1 x pump at pumpstation	Greater Giyani (Limpopo)	4090 HH	N/A	R2 218 3 177,00	R2 049 116.00	None	Portable water for the beneficiaries.
Energizing already drilled 7 boreholes powered with Solar in Derby, Spitkop and Moedwill	Kgetlengrivier LM (Derby, Spitkop and Moedwill) (North West)	1844 HH	N/A	R1 300 000	R 807 058.50 0,00	None	Potable water for COVID-19 relief .
Refurbishing of non-functional boreholes / Sitting of eight (8) site boreholes,	Madibeng LM – Lethablile (North West)	3680 HH	N/A	R2,962,860.00	R2 962 860 00	KPI-2 (O&M)	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**
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 Letlhabile							
Sitting, drilling and testing of Seven (7) borehole. Energise with Solar powered system and equip with submersible pump. Provide elevated storage reservoir and standpipes for Moretele Local Municipality	Moretele Local Municipality (North West)	N/A	N/A	R2 962 860.00	R2 015 195.54 at 68%	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**
Koekenaap: Borehole At WTW: Equipping of Existing Borehole	Koekenaap Matzikama LM (Western Cape)	550 HH	N/A	R480 125.00	R416 328.98	N/A	Potable water for COVID-19 relief.
Vredendal: Borehole At WTW: Equipping of Existing Borehole	Vredendal Matzikama LM (Western Cape)	6350 HH	N/A	R480 125.00	R416 328.00	N/A	Potable water for COVID-19 relief.
Leipoldtville: Borehole storage dam 200kl leak repairs + borehole vertical pipe replacement + borehole control repairs	Leipoldville Cedeberg LM (Western Cape)	360 HH	N/A	R438 000.00	R0	N/A	Potable water for COVID-19 relief.
Citrusdal Boskloof: Existing Boreholes: Refurbishment to electricity controls at 2 boreholes	Boskloof Cedeberg LM (Western Cape)	2500 HH	N/A	R338 790.00	R0	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**
Op-die-Berg: New Borehole Drilling, testing + Equipping	OpdiBerg Witzenberg LM (Western Cape)	533 HH	N/A	R496 225.00	R0	N/A	Potable water for COVID-19 relief.
Zoar: New Borehole Drilling, testing + Equipping	Zoar Kannaland LM (Western Cape)	1700 HH	N/A	R493 350.00	R230 805.00	N/A	Potable water for COVID-19 relief.
Van Wyksdorp: New Borehole Drilling, testing + Equipping	VanWyksdorp Kannaland LM (Western Cape)	295 HH	N/A	R493 350.00	R197 685.00	N/A	Potable water for COVID-19 relief.
Laingsburg Acacia: Installation of 200m pipeline to connect to elevated steel tank to reticulation	Acasia Lainsburg LM (Western Cape)	500 HH	N/A	R438 000.00	R0	N/A	Potable water for COVID-19 relief.
Matjiesfontein: Equipping of existing Borehole	Matjiesfontein Lainsburg LM (Western Cape)	172 HH	N/A	R438 000.00	R0	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**
Laingsburg Zoutkloof Line: Equipping of Existing Borehole & Connect to Main Supply	Zoutkloof Lainsburg LM (Western Cape)	1900 HH	N/A	R438 000.00	R0	N/A	Potable water for COVID-19 relief.
Klaarstroom: Equipping of Existing Borehole	Klaarstroom Prince Albert LM (Western Cape)	205 HH	N/A	R349 000.00	R0	N/A	Potable water for COVID-19 relief.
Leeu Gamka: Equipping of Existing Borehole	Leeuw Gamka Prince Albert LM (Western Cape)	855 HH	N/A	R349 000.00	R0	N/A	Potable water for COVID-19 relief.

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 2021 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 spent a total of R65 931 140.00 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 47 000 households across 5 district and 13 local municipalities.

In addition to the above response MISA contributed to the employment stimulus package of Presidency by supporting 23 municipalities with programmes that enhances job opportunities for the unemployed through labor-intensive infrastructure maintenance in municipalities. This Employment Stimulus Package seeks to build a new economy through public investment in a mass employment strategy.

MISA interventions entailed siting, drilling, yield testing, water quality testing, equipping, and commissioning of borehole infrastructure; springs revival & protection, building storage reservoirs, reticulation drawing water closer to the houses and these municipalities were 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.

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

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 Centers monitored the implementation of COVID 19 intervention at all spheres of government. MISA is serving on these structures to provide technical support.

Internal Environment

In line with the regulatory prescripts, measures including the procurement and distribution of COVID-19 PPE (including cloth masks, latex gloves, sanitisers, thermometers), relevant communiques and updates circulated, distance markings maintained in areas likely to have many people gathered, employee workspaces social distanced, rotation rosters developed and implemented, and the workplace being fumigated or disinfected as and when the need

arose continued to be implemented during the financial year. We recorded twenty-one (21) COVID-19 cases during the financial year, and all the cases were reported to the Department of Public Service and Administration. Where these employees had come into close contact with other employees, these contacts were traced and approved to self-quarantine for the prescribed period. A total amount of R62 768. 50 was spent on COVID-19 PPE during the financial year 2021/22.

4. Revenue Collection

Sources of Revenue	2021/22			2020/21		
	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	-	-	-	-	-	-
LGSETA Grant for Apprenticeship Programme	-	-	-	-	2 411	(2 411)
Interest Received	-	8 685	(8 685)	-	3 778	(3 778)
Total	**-**	**8 685**	**(8 685)**	**-**	**6 189**	**(6 189)**

5. Capital Investment

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

MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

PART C: GOVERNANCE

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 on specific matters. Accordingly, MISA management attended the Committee meetings as summarised in the table below:

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
Portfolio Committee on Cooperative Governance and Traditional Affairs	09 November 2021	Briefing to the COGTA Portfolio Committee on MISA Annual Report for 2020/21	The PC requested MISA to: Provide report / list of all water boreholes completed in all provinces, municipalities, locations with costs.	The report with all requested information was submitted to the Office of the Director General: DCOG on the 18 November 2021 for

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
		Financial Year	Provide report on all water infrastructure reticulation projects, water and waste management plants projects including costs of each project implemented by MISA and other key projects.	onward forwarding to the Portfolio Committee.
	22 March 2022	Request for retention of funds unspent from 2020/21 budget allocation for MISA	MISA & DCoG should continue to engage with the National Treasury to transfer funds/rollovers back to MISA as they were already committed.	The engagements between MISA and National Treasury are ongoing. MISA will notify the Portfolio Committee as soon as the matter is concluded. National Treasury has yet to provide the final response to MISA's appeal letter.

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 2020/21 Performance Report	30 April 2021	N/A	N/A
First Quarter 2021/22 Performance Report	29 July 2021	N/A	N/A
Second Quarter 2021/22 Performance Report	27 October 2021	There needs to be work made on the Labour-Intensive Projects	All 15 municipalities identified undertook training for the candidates on NQF level 5 and 7 courses. In addition, stakeholder engagements were intensified.

Report Submitted	Date of Submission	Comments by the Executive Authority	Action Taken
Annual Report for 2020/21	15 September 2021	N/A	N/A
Third Quarter 2020/21 Performance Report	27 January 2022	N/A	N/A
Annual Performance Plan for 2022/23	09 March 2022	N/A	N/A

4. THE ACCOUNTING AUTHORITY / BOARD

Section 7A(4)(e) of the Public Service Act, 1994, empowers the relevant Executive Authority (EA) to exercise the option of establishing an advisory board for a government component. During the year under review, the Minister approved the proposed establishment of an advisory board for the Municipal Infrastructure Support Agent (MISA) as provided for in the legislation. This approval kickstarted the process of appointing members of the inaugural board for MISA. This process remained in progress as at the end of the financial year under review. The envisaged advisory board for MISA the advisory board being established will not assume any executive powers since the legislation prohibit the granting of such powers to an advisory board.

Prior to commencing with the process of appointing members of the advisory board, the Minister approved and signed the amendments to the Operational Notice on Administration and Operations of MISA ('Operational Notice'). The main objective of amending the Operational Notice was to amplify the process of establishing the board, its functions and the skills set required of potential board members. In terms of the amended Operational Notice the role and functions of MISA Advisory Board entails rendering advise to MISA on strategies and programmes, encompassing the implementation of the District Development Model (DDM), special planning and spatial transformation.

5. RISK MANAGEMENT

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

MISA has a functional Risk Management Committee chaired by an independent external member. Members were formally appointed by the Accounting Officer and did comply with the approved terms of reference. The Risk Management Committee meets on a quarterly basis to evaluate and monitor risks identified and advise for improvements. Risk Management reports are also discussed at management meetings to ensure that timeous mitigation of risks is implemented to improve organisational performance. The Unit has resuscitated the appointment risk champions during the period under review which led to the improvement in risk mitigating strategies.

The Strategic Risk Assessment for 2022/23 was conducted, and the risk assessment report, including the risk register was approved by the Accounting Officer and endorsed by both the Risk Management and the Audit Committee. Furthermore, the operational risk assessments were conducted and signed-off by the relevant Programme Managers, which culminated into various risk registers.

6. INTERNAL CONTROL UNIT

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

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

7. INTERNAL AUDIT AND AUDIT COMMITTEES

7.1 Key Activities and Objectives of Internal Audit

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 Internal Audit Charter:

- Develop and implement a rolling three-year strategic and the annual coverage plan 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 2021/22 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

Our control assessment opinion is based on the results of all the audits performed by Internal Audit for the year ended 31 March 2022 as follows:

Auditable Area	Assessment by Internal Audit
1.Review of Annual Financial Statements (2020/21)	**Adequate**
2.Review of Performance Information (Pre-determined Objectives) quarter 4 of 2020/21 Financial Year	**Adequate**
3. Review of Performance Information (Pre-determined Objectives) quarter 1	**Adequate**
4. Review of Performance Information (Pre-determined Objectives) quarter 2	**Adequate**
5. Review of Performance Information (Pre-determined Objectives) quarter 3	**Adequate**
6. Verification of Post Audit Action Plan (PAAP) quarter 4	**Needs Improvement**
7. Verification of Post Audit Action Plan (PAAP) quarter 3	**Needs Improvement**
8. Verification of Post Audit Action Plan (PAAP) quarter 2	**Needs Improvement**
9. Verification of Post Audit Action Plan (PAAP) quarter 1	**Needs Improvement**
10. Review of Protection of Personal Information Act(POPIA)	**Needs Improvement**
11. Review of Recruitment and Selection	**Adequate**
12. Review of the Framework Contracts	**Needs Improvement**
13. Review of Assets Management	**Needs Improvement**
4. Review of Filing and Records Management	**Needs Improvement**
15. Review of Infrastructure Projects	**Adequate**

Auditable Area	Assessment by Internal Audit
16. Review on the Corporate Governance	**Needs Improvement**

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:

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.
Needs Improvement	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.
Not Adequate	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 Improvements***

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

MISA has a functional Risk Management Committee chaired by an external member. Members were formally appointed by the Accounting Officer and did comply with the approved terms of reference. The Risk Management Committee meets on a quarterly basis to evaluate and monitor risks identified and advise for improvements. Risk Management reports are also discussed at management meetings to ensure that timeous mitigation of risks is implemented to improve organisational performance. During the review of corporate governance, of which risk management as one of the critical governance structures within the institution we noted that there was reasonable improvement in addressing identified risks, which led to the improved control environment in the last two quarters of the financial year.

Internal Controls - Need Improvements

The audit reviews are undertaken in 2021/22 generally show that the system of internal control needs improvements within MISA. Areas where controls can be improved in terms of design and effectiveness were noted in key areas audited. We have made recommendations to management around the weaknesses identified, and we hope that a tightening of controls across the board will significantly improve the internal controls environment.

7.3 Key Activities and Objectives of the Audit Committee

The committee performs its activities in line with the approved charter. The committee

7.4 Audit Committee Meetings by Committee Members

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
Dr Prittish Dala	PHD (Information Technology) (UP), Masters (Information Technology) (University of Pretoria) BSC Hons (Computer Science), (UJ) Bachelor of Information Technology, (Bond University),	External Member	Member appointed on 01 July 2020	N/A	5

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
	Certified Information Systems (CISA), Certified Information Security Manager (CISM), Certified Information System Security (CISSP), Lead Auditor ISO 27001(LA ISO 27001), Certified in the Governance of Enterprise Information Technology (CGEIT) Certified in Risk and Information Systems (CRISC), Certified Ethical Hacker (CEH), Computer Hacking Forensic Investigator (CHFI), and Certified Data Privacy Solutions Engineer (CDPSE)				
Ms N Lubanga	National Diploma (Internal Auditing) (Walter Sisulu University), BCom (Internal Auditing) (UNISA), Executive Development Programme (WITS), Postgraduate Diploma Internal Auditing (UNISA), Postgraduate Diploma General Management (GIBS), Internal Control and Risk Management (University of Pretoria)	External Member	Member appointed on 01 July 2020	N/A	5
Mr L Makibinyane	B.ENG(Hons) (University of Teesside) Post Graduate Certificate (MDP) UNISA	External Member	Member appointed on 01 July 2020	N/A	5

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
	MBL (UNISA)				
Ms C Abdoll	(CA) SA BCompt Honours (UNISA), BCom (University of Western Cape), Postgraduate Diploma in Internal Audit, Certified Internal Auditing(IIA)	External Member	Member appointed on 01 May 2021	N/A	5
Mr S Gounden	(CA) SA, Charted Director (SA), Postgraduate Diploma in Accountancy (UDW), BCompt (UNISA)	External Member	Member appointed on 01 May 2021	N/A	5

8. COMPLIANCE WITH LAWS AND REGULATIONS

MISA has developed irregular and expenditure framework, fruitless and wasteful expenditure framework, and Delegation of Authority as measures to ensure consistent compliance with laws and regulations relating to Supply Chain Management, Financial Management and Human Resource Management, as well as other functional areas. Accredited service provider was appointed to audit and measure the extent of Broad-Based Black Economic Empowerment (B-BBEE) in terms of section 13(G)(1) of the B-BBEE Act and regulations 12(2) and B-BBEE compliance report was submitted to B-BBEE Commission.

9. FRAUD AND CORRUPTION

MISA has developed a fraud prevention plan as to fulfil the Treasury Regulation 27.2.1 requirement. MISA's Fraud Prevention Plan Strategy integrates the processes, policies resources to minimise the risk of fraud and corruption. The Fraud and Corruption Prevention Policy is also in place and approved by the accounting officer. The fraud risk assessment was conducted during the period under review and quarterly monitoring conducted to ensure fraud mitigation strategies are implemented. Fraud and Ethics awareness were conducted through articles and a workshop held at an induction session. Fraud and Anti-Corruption awareness forms part of the orientation programme for new employees.

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

National Anti-Corruption Hotline: 0800 701 701
Website: www.publicservicecorruptionhotline.org.za

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

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

10. MINIMISING CONFLICT OF INTEREST

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

- Members of the Bid Committees and SCM personnel are required to sign a Code of Conduct upon appointment to serve on bid committees 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 members and SCM representatives are also required to declare their interest prior to commencement of each Bid Committee Meeting.
- All SCM officials are required to comply with the highest ethical standards as contained in the National Treasury's Code of Conduct for Supply Chain Management Practitioners and sign Treasury's Code of Conduct for Supply Chain Management Practitioners. This is crucial for the promotion of mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.
- In the event where conflict of interest has been identified, the Accounting Officer or delegated officials take reasonable steps to prevent abuse of the supply chain management system. Any allegation of corruption, improper conduct or failure to comply with SCM system regulations is investigated and appropriate remedial steps taken against implicated officials and/or other role players.
- Should a SCM official or other role player, or any close family member, partner or associate of such official or other role player, have any private or business interest in any tender to be awarded, they are required to disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that tender.
- An official who becomes aware of a breach of or failure to comply with any aspect of the supply chain management system is required to immediately report such identified breach or failure to the Accounting Officer or delegated official in writing.
- Such reporting can also be done anonymously through appropriate mechanisms, including the national anti-corruption hotline.

11. CODE OF CONDUCT

MISA, as a national government component established in terms of the Public Service Act, 1994 ("the PSA"), is bound by the Code of Conduct for the Public Service ("the Code"). Accordingly, it is MISA's responsibility to bring these provisions to the attention of its employees. To this end, a copy of the Code is provided to all MISA employees who are then

provided with the opportunity to engage same and subsequently sign an acknowledgement thereof.

Furthermore, all new employees are taken through the provisions of the Code at an induction session. According to the Code, every public servant must be faithful to the Republic of South Africa ("RSA") and must honour and abide by the Constitution of the Republic. It is, therefore, incumbent upon MISA employees to always act in the public interest in the execution of their duties and to be guided by the laws and policies of the country. MISA employees complied with the provisions of Code and conducted themselves ethically and professionally.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Chief Executive Officer approved an Occupational Health and Safety (OHS) Policy in line with the OHS Act, 1993 (Act 85 of 1993). The Policy seeks to ensure a safe and healthy working environment for employees so as to provide and maintain a workspace, systems and procedures that are safe and without risk to the health of employees and free of hazards or potential hazard to the safety or health of employees, before having to resort to personal protective equipment. Health and Safety Representatives, Fire Marshals and First Aiders were designated by the Chief Executive Officer and training was provided on general OHS principles for all who were designated, as well as specific fire marshalling and first aid for fire marshals and first aiders respectively. An OHS Committee was established and members appointed. As of the last of the financial year under review the OHS Committee has taken over the responsibilities of the COVID-19 Steering Committee.

The Department of Labour was requested to conduct an inspection of the workplace but has not been able to do so due to a backlog as a result of COVID-19. The OHS Committee conducted a site inspection as a stop measure and identified areas of concern which the institution is in the process of addressing. The employer regularly reports progress in this regard to the OHS Committee.

13. COMPANY /BOARD SECRETARY

The Legal Services Directorate within MISA has been assigned the responsibility for providing secretariat support to the Advisory Board. It is projected the process of appointing members of the board will be completed in the first quarter of 2022/23 financial year.

14. SOCIAL RESPONSIBILITY

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

15. REPORT OF THE AUDIT COMMITTEE

The Audit Committee (" the Committee") is pleased to present its report for the financial year ended 31 March 2022.

15.1 RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee reports that it has complied with its responsibilities arising from sections 38(1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act (PFMA) as well as Treasury Regulation 3.1. 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

Internal Audit continues to provide assurance in terms of control , governance , and risk management as per the approved risk-based audit plan. At the end of the financial year, the following audit engagements were reported as complete as per the approved risk-based audit plan:

- Review the Draft Annual Performance Report (APR) for 2021/22;
- Review of Annual Financial Statements for 2021/2022;
- Review of Performance Information (Pre-determined Objectives) - Quarter 1, 2, 3 and 4;
- Verification of Post Audit Action Plan (PAAP) - Quarter 1, 2, 3 and 4;
- Review of Protection of Personal Information Act (POPIA);
- Review of Recruitment and Selection Processes;
- Review of the Framework Contracts;
- Review of Assets Management Processes;
- Review of Filing and Records Management Processes;
- Review of Infrastructure Projects; and
- Review of the Corporate Governance.

The Committee's review of the findings identified by the internal and external auditors reveals that the internal control environment is generally adequate and effective . Risk management and governance processes are generally adequate and partially effective, with room for improvement.

15.3 IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS

MISA has reported quarterly to the National Treasury and the Executive Authority as is required by the PFMA . The Committee as well as assurance providers provided management with recommendations, which were implemented, to improve the quality of financial and non-financial information (performance information, information communication technology, risk management, human resource management, legal and compliance) and reporting during the year under review. The Committee was satisfied with the content and quality of the financial and non- financial quarterly reports submitted during the year under review.

15.4 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 IA 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 and reported to the Accounting Officer.

15.5 AUDITOR-GENERAL OF SOUTH AFRICA REPORT

The Committee concurs with the conclusions of the AGSA on the annual financial statements and is of the opinion that the audited annual financial statements may be read together with the audit report of the AGSA

15.6 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 AGSA for their tireless efforts, commitment, and support throughout the year.

Signed on behalf of the Committee by:

P. Dala

Dr. Prittish Dala
Chairperson MISA Audit Committee
Date: 5 August 2022

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 -8) with regards to the following		
Criteria	**Response Yes/No**	**Discussion (Include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	N/A
Developing and implementing a preferential procurement policy?	Yes	An SCM Policy that encapsulates Preferential Procurement regulations is in place and being implemented.
Determining qualification criteria for the sale of state-owned enterprises?	No	N/A
Developing criteria for entering into partnerships with the private sector?	No	For the period under review no private sector partnership were entered into by MISA.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	The SCM Policy incorporates B-BBEE aspects that seeks to incentivize suppliers in compliance with the B-BBEE Act. Furthermore, MISA has obtained a compliance report that measured the extent of Broad-Based Black Economic Empowerment (B-BBEE) for the organisation.

Pipeline backfill: compaction after relaying sewer pipeline

MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

MISA's Human Resources (HR) priorities for the 2021/22 financial year included mainly the 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 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 by the due date.

MISA remains on course 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 192 of the posts on the organisational structure were filled by the end of the period under review and with 29 positions remaining vacant as of the 31st of March 2022 with the recruitment process still underway. A proportion of filled posts under the Technical Support Services Branch, are the Professional (Engineers) which is standing at 94% (79 of 84). Under the Senior Management Services category, 89% (32 of 36) were filled at the end of the year under review. A total of 90% (35 of 39) management echelon filled with the appointment of the Deputy Director-General (DDG) for Technical Support Services (TSS) Programme.

Employee performance and rewards within the entity were managed in accordance with the Performance Management Development System (PMDS) applicable to the public service. The Entity achieved 100% regarding timeous submission of the Performance Agreements for 2021/22 and finalisation of 2020/21 Performance Assessments, respectively. During the year under review, the HRM&D unit continued with management of the COVID-19 through the monitoring and implementation Protocol Guidelines on the management of COVID-19 in the workplace, ensuring that all regulations, directives, and circulars are adhered to and reporting to the Department of Public Service and Administration (DPSA).

The implementation of the Employee Health and Wellness programme remains one of the priorities for HRM&D to ensure that MISA's working environment is conducive for productive performance of its staff. The process to procure the service provider for services of employee health and wellness for employees to promote organisational effectiveness whilst maintaining work life balance is under way. Key Human Resources policies in line with the legislative frameworks applicable are in place and implemented accordingly with six of these policies reviewed during the financial year under review.

Key achievements by the public agency for the year under review includes the appointment of the Deputy Director-General: Technical Support Services; the reduction of vacancy rate by 10 percentage points to 13% as at the end of the year in comparison to the end of the previous reporting period where vacancy rate was at 23%; the proportion of women appointed at Senior Management Services (SMS) level increased to 49% and staff turnover particularly for the Technical Support professionals has been effectively managed with a retention rate standing at 94% (79 0f 84) filled at the end of the year under review. The Talent Management and

Retention Strategy were developed and their implementation has assisted in stemming staff turnover.

A key focus of HRM & D in the new financial year will be improvement of leave management through continuous engagements with management on ways to better manage leave among their respective staff. Efforts towards achievement of the 2% mandatory target for appointment of people with disability and 50% of women at Senior Management Service (SMS)will be continued. The recruitment process will also continue with the aim of reducing vacancies to within the 10% threshold.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by Programme

Programme/ activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	92,226	44,147	48%	76	581
Technical Support Services	239,160	120,893	50%	328	368
IDMS	117,706	13,569	11%	14	969
Total	**449,093**	**178,609**	**39%**	**418**	**427**

Notes: ADMIN + 12 interns, TSS + YGs /Exp Learners/ Apprentices 211, IDMS + MIPMIS 3 contracts

Personnel cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	5,363	3%	3	1,788
Senior Management	40,117	23%	32	1,254
Professional qualified	106,115	59%	107	991
Skilled	3,859	2%	20	193
Semi-skilled	8,589	5%	29	296
Unskilled	315	0%	1	315
Temporary employees	14,251	8%	226	63
TOTAL	**178,609**	**100%**	**418**	**427**

Performance Rewards

Programme/activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	5,363	0.00%
Senior Management	232	40,117	0.58%
Professional qualified	334	105,634	0.32%
Skilled	188	3,859	4.86%
Semi-skilled	97	8,589	1.13%
Unskilled	9	315	2.80%
Total	**859**	**163,877**	**0.52%**

Training Costs

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Administration	44,147	212	0.48%	79	2.68
Technical Support Services	120,893	400	0.33%	106	3.78
IDMS	13,569	101	0.74%	12	8.39
Total	**178,609**	**713**	**0.40%**	**197**	**3.62**

Employment and Vacancies

Programme/activity/objective	2020/2021 No. of Employees	2021/2022 Approved Posts	2021/2022 No. of Employees	2021/2022 Vacancies	% of vacancies
Office of the CEO	19	20	18	2	10%
Technical Support Services	98	134	117	17	13%
IDMS	9	15	11	4	27%
Corporate Management Services	19	23	21	2	9%
Financial Management Services	26	29	25	4	14%
Total	**171**	**221**	**192**	**29**	**13%**

Programme/activity/objective	2020/2021 No. of Employees	2021/2022 Approved Posts	2021/2022 No. of Employees	2021/2022 Vacancies	% of vacancies
Top Management	2	3	3	0	0%
Senior Management	32	36	32	4	11%
Professional qualified	92	115	107	8	7%
Skilled	20	24	20	4	17%
Semi-skilled	24	42	29	13	31%
Unskilled	1	1	1	0	0%
Total	**171**	**221**	**192**	**29**	**13%**

During the period under review, MISA continued with the process of filling positions that have become vacant in line with the approved revised structure of March 2017. The vacancy rate further reduced to 13% as of 31 March 2022. The vacancy rate at SMS level reduced to 10% at the same period with 90% (35 of 39) management echelon filled as the result of the appointment of the Deputy Director-General (DDG) for Technical Support Services (TSS) Programme.

Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	1	0	3
Senior Management	32	2	1	33
Professional qualified	92	18	3	107
Skilled	20	2	3	19
Semi-skilled	24	7	2	29
Unskilled	1	0	0	1
Total	**171**	**30**	**9**	**192**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	11%
Resignation	8	89%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	**9**	**100%**

The staff turnover as reported above was mainly due resignations as the reason for staff attrition at MISA, particularly for the Technical Professionals (Engineers). The approved Talent Management and Retention Policy and Strategy are tools available to assist with the retention intervention processes within MISA in the new financial year.

Labour Relations: Misconduct and disciplinary action

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

No disciplinary or misconduct case were recorded under the period of review.

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	15	16	1	1	0	0	0	0
Professional qualified	55	60	3	2	5	2	6	3
Skilled	10	12	0	0	0	0	0	0
Semi-skilled	9	12	0	1	0	0	0	0
Unskilled	1	0	0	0	0	0	0	0
TOTAL	**92**	**100**	**4**	**4**	**5**	**2**	**6**	**3**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	16	18	0	1	0	0	0	0
Professional qualified	34	40	3	3	0	4	1	3
Skilled	10	13	0	0	0	0	0	0
Semi-skilled	20	28	0	2	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**81**	**99**	**3**	**6**	**0**	**4**	**1**	**3**

Levels	Disabled Staff			
	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
Temporary employees	0	0	0	0
TOTAL	**0**	**2**	**2**	**0**

MISA is striving to achieve the gender equity target of at least 50% women at Senior Management echelon and the filling of 2% of the total posts with persons with disabilities as prescribed in the Employment Equity Act. In the period under review, MISA has achieved 49% target on gender equity for women appointed at SMS level, with seventeen (17) of 35 SMS positions on the approved structure occupied by women. A 1% target for persons with disabilities achieved remained unchanged during the period under review. MISA continues with efforts towards achievement of the 2% mandatory target for appointment of people with disability and 50% of women at Senior Management Service (SMS)will be continued. The recruitment process will also continue with the aim of reducing vacancies to within the 10% threshold. Overall reduction by 10% vacancy rate have been achieved from the previous year at 23% (171 of 221) versus the current year under review which is 13% (192 of 221).

Young Graduate (YG) Induction and Orientation

MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

PART E: FINANCIAL INFORMATION

Report of the auditor-general to Parliament on 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 105 to 136 which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, and 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 2022, 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 officier 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 programme 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 2022:

Programme	Pages in the annual performance report
Programme 2 – Technical support services	38 - 48

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 38 to 48 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 the selected programme 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 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 programme 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

31 July 2022

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 the selected programme 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)

REPUBLIC OF SOUTH AFRICA

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
Annual Financial Statements
for the year ended 31 March 2022

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

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 2022

Index

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

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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 Standards Board
COVID-19	Corona Virus Disease 2019

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

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 reporting period 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 entity and all employees are required to maintain the highest ethical standards in ensuring that the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operational risk cannot be fully eliminated, the 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 assurance provided to him, 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 period to 31 March 2023 and, in light of this review and the current financial position, he is satisfied that the entity will have access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern provided that National Treasury continues to fund the entity and approves the retention of surplus funds. The entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The Annual financial statements set out on pages[105 to 136]which have been prepared for the entity on the going concern basis, were approved and signed by the Accounting Officer on 31 July 2022.

Mr G.N Vimba
Accounting Officer
MISA
Date: 30/07/22

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 31 March 2022.

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 municipalities and assist them 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 support mainly low and medium capacity 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 assisting 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, and
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 Coorporate 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 goverment component, MISA is expected to operate in accordance with all the relevant legislation, regulations and policies of the Public Service. These include but are not limited to:

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

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

Paragraph 40(1)(b) of the PFMA stipulates that the Accounting Officer must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

2. Review of activities

Main business and operations

MISA is a dedicated government component under Cogta established to support municipalities in accelerating service delivery as well as the sustainable operations and maintenance of municipal infrastructure.

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

Net surplus for the financial year under review

Net surplus of the entity for the period under review is R71 984 965.

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 and approves the retention of surplus funds. MISA intends to implement cost containment measures to mitigate any risks associated with the entity's going concern risk to honor its obligations.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

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.

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 the strategic plan.

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 from National Treasury.

5. Accounting Officer

The Accounting Officer of the entity during the current year and at 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 2022

Statement of Financial Position as at 31 March 2022

	Notes	2022 R	2021 R
Assets			
Current Assets			
Prepayments	3	1,711,394	1,789,476
Receivables from non-exchange transactions	4	874,843	308,988
Cash and cash equivalents	5	331,264,723	215,961,475
		333,850,960	218,059,939
Non-Current Assets			
Property, plant and equipment	6	10,282,888	8,131,393
Intangible assets	7	11,236,075	14,684,880
		21,518,963	22,816,273
Total Assets		355,369,923	240,876,212
Liabilities			
Current Liabilities			
Operating Lease Liability	8	60,243	345,507
Payables from exchange transactions	9	76,673,971	32,756,531
Provisions	10	14,872,936	15,996,366
		91,607,150	49,098,404
Total Liabilities		91,607,150	49,098,404
Net Assets		263,762,773	191,777,808
Accumulated surplus		263,762,773	191,777,808

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Performance

	Notes	2022 R	2021 R
REVENUE			
Revenue from Exchange Transactions			
Interest received	11	8,685,629	3,777,549
Revenue from Non-Exchange Transactions			
Transfer revenue			
Government grants (DCoG)	12	628,864,000	389,749,000
LGSETA Funding	12	700,629	2,411,160
Total revenue from non-exchange transactions		629,564,629	392,160,160
TOTAL REVENUE		638,250,258	395,937,709
Expenditure			
Employee related costs	13	(178,608,785)	(172,680,050)
Depreciation and amortisation	14	(5,103,066)	(5,130,247)
Finance costs	15	-	(525,862)
Funds Surrendered to DCoG	16	(117,172,059)	-
Contracted services	17	(220,582,758)	(54,646,302)
General Expenses	18	(44,798,625)	(32,145,034)
TOTAL EXPENDITURE		(566,265,293)	(265,127,495)
Surplus for the year		71,984,965	130,810,214

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
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 01 April 2021	191,777,808	191,777,808
Changes in net assets		
Surplus for the year	71,984,965	71,984,965
Total changes	71,984,965	71,984,965
Balance at 31 March 2022	263,762,773	263,762,773

Municipal Infrastructure Support Agent (MISA)

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Cash Flow Statement

	Notes	2022 R	2021 R
Cash flows from operating activities			
Receipts			
Grants		628,864,000	389,749,000
Interest income		8,685,629	3,777,549
LGSETA Funding		-	2,411,160
		637,549,629	395,937,709
Payments			
Employee costs		(179,711,117)	(167,974,125)
Goods and Services		(221,413,660)	(109,176,650)
Funds Surrendered to DCoG		(117,172,059)	-
		(518,296,836)	(277,150,775)
Net cash flows from operating activities	19	119,252,793	118,786,934
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(3,949,545)	(1,051,036)
Net increase in cash and cash equivalents		115,303,248	117,735,898
Cash and cash equivalents at the beginning of the year		215,961,475	98,225,577
Cash and cash equivalents at the end of the year	5	331,264,723	215,961,475

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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	-	-	-	8,685,629	8,685,629	Note 28
Revenue from non-exchange transactions						
Taxation revenue						
LGSETA Funding	-	-	-	700,629	700,629	Note 28
Revenue						
Government grants & subsidies	344,864,000	-	344,864,000	344,864,000	-	Note 28
Innovative Solid Waste	284,000,000	-	284,000,000	284,000,000	-	Note 28
Total revenue from non-exchange transactions	628,864,000	-	628,864,000	629,564,629	700,629	
Total revenue	628,864,000	-	628,864,000	638,250,258	9,386,258	
Expenditure						
Employee related costs	(210,000,000)	-	(210,000,000)	(178,608,785)	31,391,215	Note 28
Depreciation and amortisation	(5,105,000)	-	(5,105,000)	(5,103,066)	1,934	Note 28
Contracted Services	(368,959,000)	-	(368,959,000)	(220,582,758)	148,376,242	Note 28
Funds Surrendered to DCoG	-	-	-	(117,172,059)	(117,172,059)	Note 28
General Expenses	(44,800,000)	-	(44,800,000)	(44,798,625)	1,375	Note 28
Total expenditure	(628,864,000)	-	(628,864,000)	(566,265,293)	62,598,707	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	71,984,965	71,984,965	

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

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 cirmumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1.1 Going concern assumption

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 forseeable 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 2022

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 2022

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 seperately.

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

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

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 2022

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 2022

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)

Annual Financial Statements for the year ended 31 March 2022

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 2022

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 2022

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.13 Fruitless and wasteful expenditure

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

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

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

Irregular expenditure is disclosed in note 24 in the annual financial statements.

1.15 Related parties

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

a) A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the management of the entity or its controlling entity.

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

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

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2022

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 perfom such functions.

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

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

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

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 2022

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.

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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)

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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 2022

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 issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been issued by the ASB.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	1 April 2025	To be determined
• GRAP 25 (Revised) Employee Benefits	To be determined	To be determined

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

3. Prepayments

The prepayment refers to licence fees paid in advance.

Prepayment - Software Licences	1,711,394	1,789,476

4. Receivables from non-exchange transactions

Other Receivables	366,625	587,401
LGSETA	700,629	-
Provision for doubtful debts	(192,411)	(278,413)
	874,843	308,988
Reconciliation of provision for doubtful debts		
Opening balance	(278,413)	(273,120)
Increase in provision	(12,705)	(5,293)
Bad debts written off against provision	98,707	-
Closing balance	(192,411)	(278,413)

LGSETA relates to funding for Bursaries. These amount was received in April 2022.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty Cash	25,704	23,359
Bank balances-Current and Salary Account	19,435,732	9,649,885
Short-term deposits- Call Account	311,803,287	206,288,231
	331,264,723	215,961,475

6. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6,556,746	(4,653,204)	1,903,542	6,556,746	(4,434,892)	2,121,854
Motor vehicles	624,322	(567,817)	56,505	624,322	(542,410)	81,912
Office equipment	2,947,667	(1,763,465)	1,184,202	2,906,623	(1,642,518)	1,264,105
Computer equipment	19,065,947	(11,927,308)	7,138,639	15,767,133	(11,103,611)	4,663,522
Total	29,194,682	(18,911,794)	10,282,888	25,854,824	(17,723,431)	8,131,393

Municipal Infrastructure Support Agent (MISA)

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Notes to the Annual Financial Statements

	2022 R	2021 R

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Mar 2022

	Opening balance	Additions	Disposal at carrying value	Depreciation	Total
Furniture and fixtures	2,121,854	-	-	(218,312)	1,903,542
Motor vehicles	81,912	-	-	(25,407)	56,505
Office equipment	1,264,105	48,010	(2,856)	(125,057)	1,184,202
Computer equipment	4,663,522	3,901,535	(140,932)	(1,285,486)	7,138,639
	8,131,393	3,949,545	(143,788)	(1,654,262)	10,282,888

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
	8,790,183	1,051,036	(36,228)	(1,673,598)	8,131,393

Pledged as security

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

7. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	815,002	(611,472)	203,530	815,002	(557,295)	257,707
Municipal Infrastructure Perfomamnce Management Information System (MIPMIS)	33,946,284	(22,913,739)	11,032,545	33,946,285	(19,519,112)	14,427,173
Total	34,761,286	(23,525,211)	11,236,075	34,761,287	(20,076,407)	14,684,880

Reconciliation of intangible assets - Mar 2022

	Opening balance	Amortisation	Total
Computer software, other	257,707	(54,177)	203,530
Municipal Infrastructure Perfomamance Management Information System (MIPMIS) - (Internally generated)	14,427,173	(3,394,628)	11,032,545
	14,684,880	(3,448,805)	11,236,075

Reconciliation of intangible assets - Mar 2021

	Opening balance	Amortisation	Total
Computer software, other	319,729	(62,022)	257,707
MIPMIS - Internally generated	17,821,801	(3,394,628)	14,427,173
	18,141,530	(3,456,650)	14,684,880

Municipal Infrastructure Support Agent (MISA)

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Notes to the Annual Financial Statements

	2022 R	2021 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	60,243	345,507
Operating lease accrual	60,243	345,507

Minimum Lease payments due for the following periods:

Not later than one year	8,022,362	7,948,768
Later than one year and not later than five years	1,397,757	67,500
	9,420,119	8,016,268

The amounts above show operating leases for the 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 18 months which commenced on 1 December 2021 and ends on 31 May 2023 with an escalation rate of 7% per annum.

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

Currectly MISA has 4 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 September 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	72,463,140	28,498,544
Service bonus liability	4,153,136	3,888,597
Other payables	57,695	369,390
	76,673,971	32,756,531

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

10. Provisions

Reconciliation of provisions - Mar 2022

	Opening Balance	Movement	Closing Balance
Leave provision: Employees	13,189,748	(216,812)	12,972,936
Performance Bonus Provision	906,618	(906,618)	-
Technical Consultant Claim	1,900,000	-	1,900,000
	15,996,366	(1,123,430)	14,872,936

Reconciliation of provisions - Mar 2021

	Opening Balance	Movement	Total
Leave Provisions: 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
	12,344,190	3,652,176	15,996,366

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 2022 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 calender year (leave cycle) will be forfeited by 30 June 2022. All unused leave will be paid out to the employee at the end of the employment term or termination of contract.

Performance Bonus Provision: No performance bonus provision has been made for the current financial year.

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. MISA management has instructed counsel to appeal the decision of the bargaining council.

11. Revenue from exchange transactions

Interest Received	8,685,629	3,777,549

12. Revenue from non exchange transactions

Government grant	344,864,000	339,749,000
LGSETA Funding	700,629	2,411,160
Improving MISA's Labour Intensive Capacity	-	50,000,000
Innovative Solid Waste Management Programme	284,000,000	-
	629,564,629	392,160,160

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

13. Employee related cost

Basic salary, Non pensionable allowance, Acting allowance and other allowances not listed below	151,423,695	146,683,558
Bonus	8,887,209	8,870,264
Medical aid	1,834,048	1,604,530
Pension	13,895,622	13,143,983
Housing allowances	2,568,211	2,377,715
	178,608,785	172,680,050

Municipal Infrastructure Support Agent (MISA)

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Figures in Rand

13. Employee related cost (continued)

Remuneration for Key Management Personnel - 31 March 2022

	Basic Salary	Other Short-term employee benefits	Bonuses and Perfomance 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	1,405,748	441,642	-	182,747	200,821	2,230,958
Chief Financial Officer - Nombembe-Ofosu F	943,526	302,159	-	122,658	-	1,368,343
Deputy Director General - Kgomo EM	1,199,862	378,694	-	155,982	-	1,734,538
Deputy Director General - Zimbwa AG	900,909	278,334	-	117,118	-	1,296,361
Chief Director - Ngobeni TS	972,048	324,380	-	126,366	-	1,422,794
Chief Director - Mamuremi F	1,062,877	337,794	-	138,174	-	1,538,845
Chief Director - Mathada V	833,184	467,591	-	108,314	-	1,409,089
Chief Director - Mathabathe R	888,966	285,869	-	115,565	-	1,290,400
Acting Chief Director - Dladla T	373,399	183,133	-	48,542	-	605,074
Chief Director - Nkosi HJ	767,328	432,695	-	99,752	-	1,299,775
Chief Director - Ndalasi L	915,848	320,285	-	119,060	-	1,355,193
Chief Director - Mnqeta NP	875,828	287,546	-	113,857	-	1,277,231
Acting Chief Director - Mtshali BS	386,889	169,215	-	50,296	-	606,400
	11,526,412	4,209,337	-	1,498,431	200,821	17,435,001

Municipal Infrastructure Support Agent (MISA)

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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 Perfomance 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	971,528	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
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
Acting Chief Director - Dladla T	416,884	276,578	-	54,195	-	749,657
	9,305,985	3,268,131	119,000	1,209,776	197,853	14,100,745

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

14. Depreciation and amortisation

Property, plant and equipment	1,654,261	1,673,597
Intangible assets	3,448,805	3,456,650
	5,103,066	5,130,247

15. Finance costs

Interest paid	-	525,862

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. Funds Surrenderd to DCoG

Funds Surrendered to DCoG	117,172,059	-

17. Contracted services

Information Technology Services	5,059,312	2,867,997
Professional and consulting services	135,953,940	23,449,901
Property rental	11,633,691	11,825,294
Agency support	642,492	783,656
Security services	1,321,879	1,185,031
Infrastructure Projects	65,971,444	14,534,423
	220,582,758	54,646,302

Information Technology Services expenditure has increased by - Additional microsoft licences for new employees and young graduates contributed to higher expenditure in the current financial year compared to prior year.

The increased expenditure on infrastructure projects, professional and consulting services is mainly due to the accelerated implimentation of projects compared to prior year where we had COVID-19 lockdown. Expenditure related to the innovative solid waste management solution has also contributed to increased expenditure.

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

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

18. General expenses

Advertsing expenses	405,755	198,841
Audit fees	5,762,523	4,396,669
Bank Charges	85,094	88,890
Cleaning	712,896	711,622
Office related expenditure	348,745	548,169
Increase in the provision for bad debts	12,705	5,293
Entertainment	169,082	146,678
Printing and stationery	1,077,511	1,331,456
Telephone	2,368,108	2,288,426
Transport	3,831,930	1,559,224
Training	4,455,683	4,270,093
Accomodation	15,746,056	8,225,131
Bursaries	4,597,939	4,995,221
Catering	122,569	54,367
Sundry expenses	4,103,130	3,313,186
Venues and facilities	998,899	11,768
	44,798,625	32,145,034

Included under sundry expenses are the following expenses:

Consumables	1,656,666	1,481,360
Courier	5,150	6,300
Legal costs	2,311,180	1,789,298
Net Loss on assets written off	130,134	36,228
	4,103,130	3,313,186

Accommodation and transport expenditure has increased significantly when comparing prior year to current financial year. This is due to the increased activities in the current financial year while in the prior year was a decrease due to COVID-19 lockdown. The Eastern Sea Board development project also contributed to the increase in expenditure.

Total amount spent on venues and facilities in the current financial year relates to the Eastern Sea Board developmenrnt project.

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 Technical Skills.

19. Cash generated from operations

Surplus for the year	71,984,966	130,810,214
Adjustments for:		
Depreciation and Amortisation	5,103,066	5,130,247
Loss on assets written off	143,788	36,228
(Decrease)/Increase in operating lease liabilities	(285,264)	345,507
(Decrease)/Increase in provisions	(1,123,430)	3,652,176
(Increase) in Receivables from non-exchange transactions	(565,855)	(16,212)
Decrease/(Increase) in Prepayments	78,082	(57,862)
Increase/(Decrease) in Payables from exchange transactions	43,917,440	(21,113,364)
Cash generated from operations	119,252,793	118,786,934

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

20. Commitments

Approved Expenditure

Total Commitments		
• Contractors	174,912,873	145,440,842
Commitments payable not later than one year		
• Contractors	148,706,454	135,328,251
Commitments payable later than one year and not later than five years		
Contractors	26,206,419	10,112,591
	26,206,419	10,112,591

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

Municipal Infrastructure Support Agent (MISA)

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	2022 R	2021 R

21. 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. 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.

5. 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.

6. A potential refund of surplus funds to DCoG.

Claim against the state	19,027,809	25,311,717
Potential Funds to be Surrendered to DCoG	242,243,811	117,172,059
	261,271,620	142,483,776

Prior year figure were restated by inclusion of R117,17 million.

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22. 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	628,864,000	389,749,000
Payments made		
Funds surrendered to DCoG	(117,172,059)	-
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 27 for members of audit committee.

23. 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	76,673,971	32,756,531

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23. Risk management (continued)

Credit risk

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

Financial assets exposed to credit risk at 31 March 2022 were as follows:

Age analysis of receivables for non-exchange transactions (neither past due nor impaired)	**2022**	**2021**
0-3 months	744,025	152,275
>3-6 months	7,885	2,823
>6-12 months	4,950	4,543
>12 months and older	117,983	149,347
TOTAL	874,843	308,988

Market risk

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

24. Fruitless and wasteful expenditure

Opening balance	1,510,113	984,251
Add: Expenditure incured - current year	-	525,862
Amount written off	(981,424)	-
	528,689	1,510,113

The fruitless and wasteful expenditure written off relates to a salary overpayment and SARS penalty due to late payment of employees tax. The remaining balance of fruitless and wasteful expenditure relates to interest charged by MISA's travel service provider on disputed invoices. Consequence management will be effected as soon as investigation is completed.

25. Irregular expenditure

There is no irregular expenditure incurred during the current year.

26. Employee benefit obligations

Defined contribution plan		
Contributions	13,895,622	13,143,983

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26. 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 a defined contribution plan as sufficient information is not available to use defined benefit accounting.

MISA's responsibilty 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.

27. Fees for members of Audit and Risk Committee

Mr F Sinthumule	-	28,060
Ms CV Abdoll	161,645	-
Mr S Gounden	152,093	-
Ms D Dondur	-	89,587
Ms P Mzizi	-	142,353
Mr LL Makibinyane	157,971	108,008
Ms N Lubanga	162,380	131,520
Mr LJ Makoro	80,242	42,392
Dr P Dala	194,197	148,687
	908,528	690,607

All the members of audit committee are external members. Dr Dala has been appointed as the chairperson of the audit committe. Mr LJ Makoro has been appointed as a chairperson of the risk management committe.

28. Actual operating expenditure versus budgeted operating expenditure

28.1 Interest received on the Call Account was not budgeted for hence the positive variance of R8,68 million.

28.2 Variance between Final Budget and Actual Expenditure.

- Employee related Costs: The expenditure amounting to R178.61 million was incurred against the budget of R210.00 million which resulted in an underspending of R31.39 million. The under expenditure is mainly due to vacancies, recruitment of young graduates and experiential learners that took longer than expected.
- Contracted services: The expenditure amounting to R220.58 million was incurred against the budget of R368.96 million which resulted in an underspending of R148.38 million. The under expenditure is mainly due to the Presidential Stimulus Package programme on innovative solid waste management intervention in municipalities. MISA only received an approval of the Presidential Stimulus Package funds towards the end of the third quarter into the financial year.
- Funds surrendered to DCoG amounting to R117.17 million were not accounted for in the Budget.

29. BBBEE Compliance Performance Information

BBBEE Performance Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

NOTES

NOTES

MUNICIPAL INFRASTRUCTURE
SUPPORT AGENT

Today, Creating a Better Tomorrow

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