



Municipal Infrastructure Support Agent (MISA)

REPUBLIC OF SOUTH AFRICA



2015/16 ANNUAL REPORT



MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

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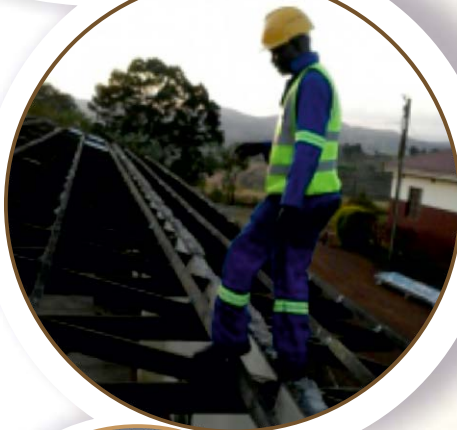
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PART A

GENERAL INFORMATION



1. MISA'S GENERAL INFORMATION

REGISTERED NAME: MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

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EXTERNAL AUDITORS: AUDITOR-GENERAL SOUTH AFRICA

BANKERS: STANDARD BANK

COMPANY/ BOARD SECRETARY: NONE



2. LIST OF ABBREVIATIONS AND ACRONYMS

AGSA	Auditor-General South Africa
APP	Annual Performance Plan
B2B	Back to Basics
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
DORA	Division of Revenue Act
DoT	Department of Transport
DPSA	Department of Public Service and Administration
FMPPI	Framework for Managing Programme Performance Information
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
HRD	Human Resources Development
ICT	Information Communication Technology
IT	Information technology
LGTAS	Local Government Turnaround Strategy
M&E	Monitoring and Evaluation
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
PFMA	Public Finance Management Act
PMDS	Performance Management and Development System
PMU	Project Management Unit
PSP	Professional Service Providers
SANRAL	South African National Road Agency Limited
SCM	Supply Chain Management
SO	Strategic Objectives



3. FOREWORD BY THE MINISTER



During the year under review the Municipal Infrastructure Support Agent (MISA) embarked on an organisational review as a basis for refining its strategic focus and operational model. This review culminated in the refinement of its focus aimed at improving the impact of its programmes on targeted municipalities and their communities. The organisational review also sought to position MISA as a leading agency for the implementation of initiatives towards addressing service backlogs by supporting municipalities on the implementation of infrastructure projects and infrastructure operations and maintenance. It was also aimed at aligning MISA's technical support programme with the Back to Basics (B2B) approach. One of the key changes emanating from the refinement process is the district-wide approach to providing technical support to municipalities. In terms of this approach, MISA has been delivering technical support to municipalities through multi-disciplinary teams comprising professionals from diverse disciplines established to support municipalities within each priority district on the basis of agreed support plans. Each district team conducts its work within the broader provincial B2B team for a particular province.

In line with the refined focus, there is a much stronger linkage between technical support intended to address capacity challenges within municipalities in the short term and capacity building for such municipalities. In the year under review MISA made significant strides in assisting struggling municipalities to improve on the implementation of projects funded through conditional grants for infrastructure development such as the Municipal Infrastructure Grant (MIG). One of the key success stories in this regard is Sekhukhune District Municipality that successfully implemented projects worth over R450 million with the support from MISA. Due to MISA support, the municipality improved its spending level to 96% and prevented the stopping and reallocation of R160 million to other municipalities. Another municipality that benefited from MISA support is Bushbuckridge Local Municipality in Mpumalanga that was assisted to spend 100% of its MIG allocation and retain R30 million earmarked for reallocation to other municipalities because of the municipality's poor spending record.

Through its Capacity Building Programme, MISA enabled 87 learners to obtain NQF Level 2 qualifications as water and waste water process controllers. Half of these learners were based in Matatiela in the Eastern Cape, which is one of the most economically depressed areas in the country. The programme also contributed to the expansion of a pool of qualified artisans by training 346 apprentices in collaboration with municipalities, TVET Colleges and the relevant SETAs. MISA should be applauded for obtaining an unqualified audit outcome for the third consecutive year. It is, however, concerning that adverse findings were made by the Auditor-General in relation to performance information. It is crucial for MISA management to focus attention on improving the processes and systems for conducting planning and reporting on performance to ensure that these findings are changed for the better in 2016/17.

The single greatest challenge faced by MISA in the period under review was the human resource capacity deficiencies within the organisation. Prevailing high level of vacancies, especially in the support functions had a negative impact on the performance of such functions. Staff shortage was significantly high in the supply chain management (SCM) unit that continues to operate with



desperately low capacity in light of the enormous procurement undertaken by the organisation each year. The process of filling vacant positions on the existing structure was halted until the approval of the revised structure, developed as part of the refinement process. We have since obtained a concurrence on the revised structure from DPSA and this has paved way for the progressive filling of vacant positions giving priority to functions with the highest level of capacity deficits. Another major challenge encountered by the organisation is the persistently low rate at which municipalities have been absorbing qualified artisans and other technically skilled individuals developed through MISA's capacity building programme. MISA is seeking to address this problem by attaching conditions to its technical support to compel each municipality receiving support to simultaneously implement capacity building plan for strengthening internal technical capacity.

From 2016/17 MISA will focus its attention largely on the operationalisation of the recently established Project Management Office (PMO) in support of the work of the Inter-Ministerial Committee on service delivery. This programme is aimed at addressing infrastructure and services backlogs in 27 Priority District Municipalities as identified in the Medium Term Strategic Framework (MTSF) for 2014 – 2019. MISA will be intensifying support through the PMO in the next financial year to ensure the acceleration of service delivery to rural communities. A key flagship project to be driven by the PMO is the Regional Management Support Contracts (RMSCs) that seeks to assist municipalities to develop effective management systems and processes for infrastructure delivery and management. These systems and processes are critical for efficient delivery, as well as systematic operations and maintenance of municipal infrastructure. Another new initiative is the setting up and management of Framework Contracts that will allow municipalities to order certain infrastructure goods and services without undertaking a separate procurement processes. The potential benefits of Framework Contracts are financial savings from bulk buying using a central contract, increased speed of delivery and better quality assurance.

The few months of the year during which I presided over CoGTA Portfolio as the Executive Authority have proven to be both challenging and inspiring. I was greatly pleased with the reception I received from the management team and staff in MISA and entire CoGTA family. My sincere gratitude also goes to the Deputy Ministers for their unwavering support and valuable contributions to the challenging task of enhancing the capability of local government sphere for improvement of people's lives.



Mr Des Van Rooyen, MP

Minister of Cooperative Governance and Traditional Affairs



4. NOTE BY THE DEPUTY MINISTER



The successful conclusion of the Local Government Elections held on the 3rd of August this year was yet another practical demonstration of our maturing democracy embedded in our venerable Constitution. 15 years post the birth of our system of local government, it is apposite to remind ourselves of the underlying vision as articulated in the White Paper on Local Government published in 1998. At that time, South Africa envisioned a developmental local government system, which is committed to working with citizens, groups and communities to create sustainable human settlements that provide for a decent quality of life and that meet social, economic and material needs of communities in a holistic manner. It is abundantly clear from this founding statement that our predecessors realised that for our local government sphere to fulfil its mandate, it has to be participative to allow communities active involvement in processes aimed at altering their material conditions.

Over the past 15 years significant strides have been made towards the realisation of the objectives set out for municipalities in the Constitution. Our municipalities, supported by both national and provincial spheres of government, have made positive changes in the lives of citizens as reflected in the exponential increase in the number of households with access to services such as water and sanitation, energy (including energy from renewable sources), refuse removal, as well as roads and storm-water. Notwithstanding these and other successes achieved by the local government sphere, there are clear indications that the journey towards realising our aspirations for local government remains long and arduous.

One of the most unpleasant legacies of Apartheid that our democratic government sought to address through the current system of local government is the fragmented spatial development settings. Despite commendable efforts undertaken so far towards reversing this legacy, our towns and cities remain largely segregated along racial lines, leaving poorer households in rural areas and urban peripheries excluded from socio-economic opportunities. It is for this reason that government has prioritised such initiatives as the Integrated Urban Development Framework (IUDF) approved by Cabinet in 2016, as a mechanism to address the current spatial anomalies.

The sustainable provision of basic services to all citizens is at the heart of government's Back to Basics (B2B) programme. The realisation of this goal, however, depends largely on accelerated improvements in critical aspects of the delivery process in municipalities. Key among these are efficient spending of capital budgets, especially conditional grants like the Municipal Infrastructure Grants (MIG), that remain a challenge in low capacity municipalities and systematic operations and maintenance of existing infrastructure to ensure continuous provision of services. Within the B2B framework, MISA will accelerate the implementation programmes aimed at enabling municipalities to effectively implement their infrastructure programmes and building their institutional capability to ensure that they are self-sufficient in the long term.

Mr Andries Nel, MP
Deputy Minister for Cooperative Governance



5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



For the year under review MISA's total revenue was R306 million, made up of the allocation to MISA through CoGTA Vote of R304 million and additional income of R2.3 million earned from management fees and the sale of bid documents. Total expenditure for the year ended 31 March 2016 was about R294.9 million, reflecting a net surplus for the year of R11.4 million. The surplus amount constitutes 3.7% of the total revenue for the year. This surplus arose mainly from underspending on compensation of employees due to high number of vacancies on the approved structure. As it was the case in the previous financial year, spending on contracted services absorbed the biggest proportion of the budget at R171 million, which constitutes 54.2% of the total revenue for the year. This amount was utilised mainly to cover consulting and professional fees paid to contracted professionals and service providers contracted to perform the core function of providing technical support to municipalities.

As at the end of 2015/16 financial year, fruitless and wasteful expenditure stood at R1 077 137, which included an amount of about R840 238 emanating from previous financial years and R249 933 arising from salary overpayment that has since been transferred to receivables leaving a balance of R236 900 as the fruitless and wasteful expenditure incurred during 2015/16. The overall amount for fruitless and wasteful expenditure is mainly attributed to SARS penalties for late payment of PAYE and payment of medical aid fees for certain employees after their resignation due to late submission of notices to the Medical Scheme. Irregular expenditure at the end of 2015/16 stood at about R241 million. This amount comprises R84 million incurred during 2015/16 with the balance of R157 million arising from the previous years. About R26 million of the previous years' balance has since been condoned by the Accounting Officer. Irregular expenditure incurred during the year under review relates to the procurement of MIPMIS without complying with SITA Act, not adhering to Treasury Regulations on minimum period for advertisement of certain tenders and approval of payment of professionals fees by officials without proper delegation. MISA is currently seeking condonation from SITA for the irregular expenditure of R92 million in total relating to MIPMIS procurement. Investigations on underlying causes for irregular expenditure is also under way with a view to instituting consequence management and appropriate preventative measures.

MISA continued to experience capacity challenges, especially in the support functions such as Supply Chain Management, Human Resources and Financial Management. During the year under review, management finalised the filling of critical administrative positions to address capacity shortage at the Head Office. Through this process, 24 positions were filled by employees appointed on fixed-term contracts for 12 months from July 2015. MISA is seeking to address its capacity challenges through the implementation of the revised structure for which a formal concurrence has been received from DPSA. The implementation of the new structure will enable MISA to also change the contractual status for technical professionals and some provincial programme managers by filling those positions in accordance with the Public Service Regulations.

During the 2015-16 financial year MISA embarked on a process of refining its strategic focus with a view of enhancing the outcome and impact of its support initiatives. Part of refining the focus of involves among other activities:

- Facilitating the development of municipal infrastructure plans which are informed by spatial development plans and minimum standards for access to basic services;
- Providing technical support of a specified duration to prioritise municipalities (low capacity municipalities prioritised in terms of Back 2 Basics Strategy) to plan, deliver, operate and maintain service infrastructure;
- Developing the individual capacity of municipal officials as well as the institutional capacity within municipalities to strengthen their capacity to deliver and manage infrastructure sustainably;
- Facilitating placements in municipalities and training opportunities for qualified and trainee technical personnel, to meet identified technical capacity gaps;
- Monitoring and analysing the extent and condition of existing municipal infrastructure, as well as progress with projects to deliver new infrastructure and progress of infrastructure expenditure against budgets, with a view to informing intervention and support actions.

MISA continues to monitor the condition of existing municipal infrastructure as well as progress in the spending of capital budgets with a view to informing appropriate interventions in the event of poor performance. MISA will be giving special focus to the development of institutional capacity of municipalities for improved delivery and management of municipal infrastructure.

In view of the refined focus for MISA, a new approach to implementing learning programmes under Capacity Building Programme will be implemented from 2016/17 financial year. MISA will be phasing out the direct employment of learners to be enrolled for its training programmes such as apprenticeship, experiential learnership and graduates development, Instead will facilitate recruitment and placement of learners in Municipalities for practical training and municipalities will become primary employers. Only current learners in the programme will remain employed by MISA until they exit while direct employment of new learners will be discontinued from 2016/17. As part of managing the transition, management took a decision to halt the recruitment of new learners resulting in non-achievement of annual targets for two performance indicators under Programme 3.

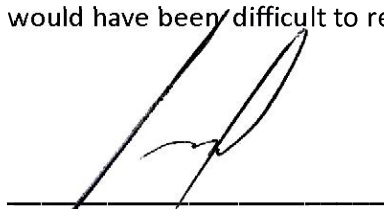
During the year under review Management introduced measures to ensure that supply chain management system and processes are in place and implemented across the entire organisation. These measures include the review of the Supply Chain Management (SCM) Policy that resulted in the updating of the SCM policy by incorporating provisions to address weaknesses in the SCM system, vetting of all members of the tender bid committees, requiring members of bid committees to sign confidentiality and declaration of interest forms before evaluating each tender. These measures have already started to bring about improvements in the controls within Supply Chain Management as reflected in the current Post Audit Action Plan (PAAP). The comprehensive PAAP was developed as part of a plan to address weaknesses in controls highlighted by both Internal and External Auditors in the previous years. As a result of constant monitoring of progress in the implementation of the PAAP, significant strides have been made in dealing with areas of weaknesses identified in the plan.

Other key measures included in the PAAP are mechanisms for monitoring learners placed in municipalities for workplace training to prevent potential financial losses by terminating each learner on the payroll immediately upon resigning or quitting the training programme. The



implementation of this monitoring system has significantly reduced overpayments during the year under review and is expected to bring financial losses arising from overpayments to zero in 2016/17 financial year. There were numerous findings in the preceding year pertaining to the presentation and management of performance information that have since been addressed. There were also findings previously raised by the Auditor-General regarding non-compliance with regulations around the reporting on financial matters. These have been addressed and MISA has fully complied with relevant regulations in so far as financial reporting is concerned.

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



Mr Ntandazo Vimba
Acting Chief Executive Officer
Municipal Infrastructure Support Agent



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

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General. The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

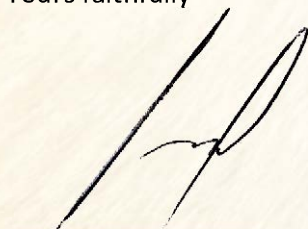
The Annual Financial Statements (Part E) have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB). The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and 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, MISA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

In our opinion, the annual report fairly reflects the operations, the performance information and the financial affairs of the entity for the financial year ended 31 March 2016.

Yours faithfully



Mr Ntandazo Vimba
Acting Chief Executive Officer
Municipal Infrastructure Support Agent



7. STRATEGIC OVERVIEW

7.1 Vision

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

7.2 Mission

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

7.3 Values

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

- Commitment to public service;
- Integrity and dedication to fighting corruption;
- A hands-on approach to dealing with local challenges;
- Public participation and people centered approach;
- Professionalism and goal orientation;
- Passion to serve; and
- Excellence and accountability.

8. LEGISLATIVE AND OTHER MANDATES

8.1 MISA's Mandate

MISA 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, as well as operations and maintenance of municipal infrastructure; and
- Performing any function that may be deemed ancillary to those listed above.

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

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



9. Constitutional Mandate

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

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

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

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

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

Chapter 9 - This chapter deals with those institutions whose role requires strengthening the constitutional democracy of the country. The DCoG has to comply with all legislative frameworks in this chapter in order to meet legislative frameworks 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.

10. Legislative Mandate

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



Name of Legislation	Mandate
Municipal Property Rates Act, 2004 (Act No.6 of 2004)	To regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies; to make provision for fair and equitable valuation methods of properties; and to make provision for an objections and appeals process therewith.
Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)	To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.
Disaster Management Act, 2002 (Act No. 57 of 2002)	<p>To provide for:</p> <ul style="list-style-type: none"> • An integrated and coordinated disaster management policy, which focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery. • The establishment of national, provincial and municipal disaster management centres. • Disaster management volunteers. • Matters incidental thereto.
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.



Name of Legislation	Mandate
Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)	To provide for the establishment of municipalities, in accordance with the requirements relating to categories and types of municipality; to establish criteria for determining the category of municipality to be established in an area; to define the types of municipality that may be established within each category; to provide for an appropriate decision of functions and powers between categories of municipality; to regulate the internal systems, structures and office-bearers of municipalities; to provide for appropriate electoral systems; and to provide for matters in connection therewith.
The Intergovernmental Relations Framework Act (Act No. 13, of 2005)	The objective of this Act is to facilitate coordination by the three spheres of government in the implementation of policy and legislation. It is a Framework Act, which allows for flexibility between the spheres in meeting the challenges within the conduct and practice of cooperative government. It also provides for the basic architecture of intergovernmental structures and for processes to guide the settlement of intergovernmental disputes.
Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)	To provide for criteria and procedures for the determination of municipal boundaries by an independent authority; and to provide for matters connected thereto.
Organised Local Government Act, 52 of 1997	To provide for the recognition of national and provincial organisations representing the different categories of municipalities; to determine procedures by which local government may designate representatives to participate in the National Council of Provinces; to determine procedures by which local government may consult with national and provincial government; to determine procedures by which local government may nominate persons to the Financial and Fiscal Commission; and to provide for matters connected therewith.
Fire Brigade Services Act, 99 of 1987	To provide for the establishment, maintenance, employment, coordination and standardisation of Fire Brigade Services; and for matters connected therewith.
Remuneration of Public Bearers Act, 20 of 1998	To provide for a framework determining the salaries and allowances of the President, members of the National Assembly, permanent delegates to the National Council of Provinces, Deputy President, ministers, deputy ministers, traditional leaders, members of provincial Houses of Traditional Leaders and members of the Council of Traditional Leaders; to provide for a framework determining the upper limit of salaries and allowances of Premiers, members of Executive Councils, members of provincial legislatures and members of Municipal Councils; to provide for a framework determining pension and medical aid benefits of office bearers; to provide for the repeal of certain laws; and to provide for matters connected therewith.
Local Government: Cross-Boundary Municipal Act, 29 of 2000	To give effect to section 155(6A) of the Constitution by authorising the provincial executives affected to establish cross-boundary municipalities; to provide for the re-determination of the boundaries of such municipalities under certain circumstances; and to provide for



1.1 Policy Mandate

The National Development Plan (NDP) – Vision 2030

The National Development Plan (NDP) recognises the great 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 strengthening 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 local government needs to play in the ongoing roll-out and maintenance of infrastructure for the provision of such basic services as water, sanitation, electricity, solid waste as well as roads and storm water, this sphere of government is still confronted with numerous challenges that continue to constrain the ability of most municipalities to fulfil their role in this regard. These challenges include the following:

- Ineffective operation and maintenance of existing infrastructure;
- Limited human and financial resources, especially in rural municipalities, to deliver and manage infrastructure for services provision;
- Inadequate bulk infrastructure to supply all households with basic services like water and electricity; and
- Lack of long term planning towards addressing infrastructure backlogs and enhancing the sustainability of the infrastructure.

Medium Term Strategic Framework for 2014 – 2019

The Medium Term Strategic Framework (MTSF) for the period 2014 – 2019, particularly the chapter on Outcome 9, provided a foundational base for revised strategic plan of MISA (and COGTA) for 2014 – 2019 and the 2015/16 Annual Performance Plan (APP). MISA's Strategic Plan for 2014 – 2019 (as amended) and APP for 2015/16 were aligned to CoGTA's strategic plan for the same period. The Department of Cooperative Governance (DCOG) is responsible for leading and coordinating the Outcome 9 of the MTSF, which seeks to build a *“Responsive, accountable, effective and efficient developmental local government system”*.

There are five sub-outcomes under Outcome 9 and these are listed below:

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

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

Sub Outcome 1 strives for *“Members of society to have sustainable and reliable access to basic services”*. MISA contributed to the attainment of this sub-outcome by providing technical support to



municipalities to enable them to properly plan for, implement, operate and maintain infrastructure projects aimed at extending or maintaining access by households to basic services such as water and sanitation, electricity, waste collection and roads and storm water. This support was directed largely to municipalities within the 27 districts identified by Cabinet in 2011 as priority areas due to their extremely low level of household access to basic services.

The Local Government Back to Basics Strategy

In his 2014 Budget Vote, the Minister outlined the Back to Basics (B2B) approach, which was subsequently presented at the Presidential Local Government Summit in September 2014 and widely endorsed by all local government role players and stakeholders.

The B2B programme is designed to ensure that all municipalities perform their basic responsibilities and functions without compromise. The programme is built on 5 pillars:

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

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

Relevant Court Rulings

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



Policy Initiatives

The envisaged outcome of the ongoing process of amending the Municipal Systems Act, 32 of 2000 with the aim of professionalising local government would go a long way in enabling the achievement of MISA's objective of building technical capacity in municipalities for improvement in the delivery and management of municipal infrastructure. The envisaged regulations would compel all municipalities to appoint only suitably qualified and experienced professional staff in technical and other critical positions. In this regard MISA has been monitoring the process of amending the legislation being undertaken by DCOG.



1. ORGANISATIONAL STRUCTURE

The structure depicted under figure A below is the original structure that was developed and approved together with the feasibility study on MISA establishment, but was not implemented in the year under review. MISA Management has adopted and implemented an operational structure that was deemed to be more appropriate for the effective execution of MISA’s mandate (see Figure B for the operational structure implemented during the 2015/16 financial year).

Figure A: MISA’s Approved Structure as per Feasibility Study

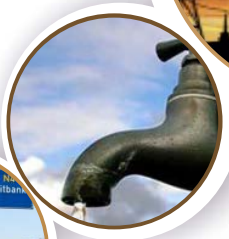
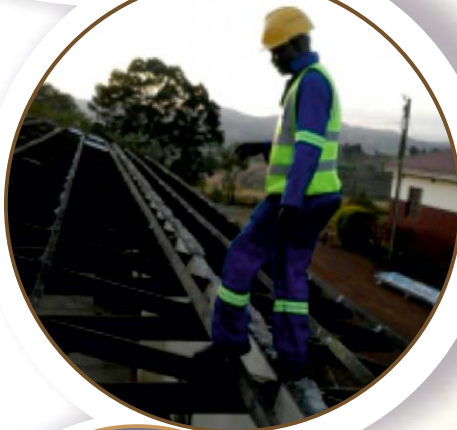


Figure B: Operational Structure implemented in 2015/16



PART B

PERFORMANCE INFORMATION



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Audit outcome relating to performance are attached as a separate document.

2.1 Service Delivery Environment

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

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

In 2014 CoGTA conducted a review of South Africa's 278 municipalities, which revealed that the top third of municipalities were managing to do the basics right and perform their functions at least adequately. Within this group, there are 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 unattended these could presage 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 dramatically, 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 was to refocus its programmes to align with the approach and to complement efforts of other branches within DCOG and other role players.

At the heart of Back to Basics approach is the emphasis on getting each municipality to be a well-functioning institution with the necessary human resources capability to perform its core function



effectively and efficiently. The achievement of the objective of Pillar 2 (delivering municipal services to the right quality and standard) largely depends on addressing current infrastructure backlogs and deficiencies in the management of municipal infrastructure.

To this end, more efforts have been directed at supporting municipalities in relation to the following key areas relating to municipal infrastructure delivery:

- Development and implementation of comprehensive infrastructure plans.
- Implementation of maintenance plans (at least 7% of OPEX Budget).
- National and Provincial Rapid Response Teams established and strengthened.
- Service delivery interruptions monitored at national level – No service failures; where they occur, restore them urgently.
- Extension of infrastructure to un-serviced communities and target subsidies to the poor.

These measures can bring about positive outcomes only if they are complemented by the other components of the municipality being targeted through the other four pillars of the B2B approach. To address the service delivery challenges raised above, government continues to mobilise key role players in the local government sector to contribute to efforts towards getting the basics right. This is being done through the setting of performance benchmarks that should be implemented to ensure that municipalities perform their basic responsibilities, every day, without fail.

MISA has positioned itself to contribute towards the achievement of the objectives of pillar 2 of B2B and to a reasonable extent pillar 5, as presented below.

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

It is important to indicate that MISA has been operating within the institutional arrangement created for the implementation of back to basics. MISA's programme management teams in various provinces will continue to vigorously participate in the provincial tasks team and the district crack teams driving the B2B implementation in municipalities. A process of reallocating resources to align the support with 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.

One of the key facet of the refined focus is that in future MISA will not act as the director employer of learners to be recruitment into its learning programmes. This responsibility will be taken over by municipalities seeking to partner with MISA for the training of young people through apprenticeship, experiential learnership and graduates development programme. As a way of managing the transition towards this new approach, management took a decision to halt the recruitment of learners resulting in non-achievement of annual targets for performance indicators 3.2.4 and 3.2.5 under Programme 3 (Capacity Development). Another area of notable underperformance is under Programme 4 (Strategic Support). Specifically, annual target for performance indicator 4.2.2 was not achieved due to inadequate capacity undertake the evaluation of at least four projects. The capacity



challenge was caused by the assignment of additional responsibilities to the then Acting Head of Monitoring and Evaluation.

3. Organisational Environment

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

It was then envisaged that the district model would enable MISA to optimally utilise its limited financial and human resources. Over the two years preceding the year under review MISA had lost a number of valuable professionals through resignations. The majority of the technical professionals previously contracted by MISA as individual consultants were transferred to MISA from the Development Bank of Southern Africa (DBSA) as part of the incorporation of the technical capacity component of Siyenza Manje Programme into MISA. The initial intention was to convert the employment status of these professionals to public servants through the Occupation Specific Dispensation. This objective has not been realised yet because a disproportionately large number of these professionals were not registered with the relevant professional bodies. MISA has since developed a revised organisational structure that also accommodates positions for technical professionals to be appointed through the applicable Occupation Specific Dispensation (OSD) after the approval of the structure by DPSA. Meanwhile, MISA is continuing to contract technical professionals on consultancy contracts in the interim.

With regard to the back-office capacity, MISA has been operating with limited human resources capacity since being established in 2012. Only a limited number of positions on the approved organisational structure have been filled to date. The process of filling prioritised positions was undertaken during 2014/15 financial year but was discontinued to allow for the review of the organisational structure with a view to aligning it with MISA's new operational model. Most of staff members in Corporate and Financial Services Unit have been appointed on fixed-term contracts as a strategy for managing the migration towards the new structure. The original structure was designed with the assumption that MISA would rely on the support in relation to support functions from DCOG through a shared service arrangement. The implementation of a shared services arrangement has not started and is likely to be delayed further.

In April 2016, MISA filled the position of the Chief Executive Officer that remained vacant since MISA's inception in 2012. The filling of this position had brought about stability in the organisation during the period under review. The refocussing of MISA's strategic focus was initiated at the beginning of the 2015-16 financial year. As a result of the strategic refocus, a revised organisational structure has been developed and approved by the Minister. The concurrence has paved way for MISA to start filling positions in the back-office on a permanent basis and to appoint technical professionals in accordance with the relevant Occupation Specific Dispensation as provided for in



the Public Service Act. Management is undertaking measures towards the fulfilment of requirements set by DPSA in granting concurrence on the new structure, with a target of starting with the recruitment process in March 2017.

1.2 Key Policy Developments and Legislative Changes

During the 2014/15 financial year, Government adopted the Local Government Back to Basics strategy. This strategy and its implication was taken into consideration during the preparation of the updated strategic plan for 2014 – 2019 and the annual performance plan for 2015/16.

1.3 MISA's Strategic Outcome Oriented Goals

MISA has four strategic oriented goals that are aligned with its programmes (i.e. there is one goal for each programme). These four goals are listed in the paragraphs below.

2.4.1 Programme 1: Administration

This programme provides strategic direction and support, leadership, management and effective and efficient administrative support services to the organisation.

Strategic Goal 1

Refocus and strengthen the capacity of CoGTA to deliver on its mandate

Although the ability of MISA to achieve this goal is still constrained by a high number of vacancies on the approved structure, a range of measures have been undertaken to strengthen the capacity of MISA to deliver on its mandate. These include the filling of critical positions in the support functions by appointing staff on fixed contract basis. These officials have assisted MISA in the development and implementation of internal control measures and the improvement of overall performance of the organisation. Another crucial step was the development of a revised structure that will enable the entity to fill positions on a permanent basis in future.

2.4.2 Programme 2: Municipal and Sectoral Technical Support

This programme provides technical support to targeted municipalities towards the improvement in infrastructure planning, implementation as well as operations and maintenance. The primary aim of the programme is to support the reduction of backlogs for basic services. The programme also manages deployment of professional service providers to municipalities.

Strategic Goal 2

Ensure significant improvements in service delivery through sound infrastructure management

The Municipal and Sectoral Technical Support (MSTS) Programme has achieved all its performance targets for the year. This achievement has contributed to the improvements in the delivery and management of service infrastructure by municipalities that received support. The main concern for MSTS is that most municipalities rely too much on the support provided to them by MISA's technical professionals. This is demonstrated by instances of declining performance once the support is withdrawn. MISA will be addressing this weaknesses through measures introduced by the strategic refocus such as the proposed fixing of the duration of support for each municipality with attached conditions.



2.4.3 Programme 3: Capacity Development

The Capacity Development Programme advises and supports municipalities on the building of technical capacity through the development of technical skills for the delivery of sustainable infrastructure that would result in effective and efficient service delivery in the long-term. This programme is designed to contribute to MISA's Strategic Goal 3 aimed at enhancing institutional resilience and initiating the next phase of institution building by strengthening the functionality of municipalities through the development and implementation of administrative and institutional systems and facilitating capacity building initiatives in order to build a capable local government.

Strategic Goal 3

Build institutional resilience and initiate the next phase of institution building

Capacity Building Programme has performed relatively well in the implementation of learning programmes aimed at increasing the number of people with technical skills required by municipalities for the delivery and management of infrastructure for basic services provision. There is a need for the programme to focus more on the building of internal capabilities within municipalities. This is crucial considering that most learners trained by MISA are not appointed by municipalities upon completing their training.

2.4.4 Programme 4: Strategic Support

Programme 4 provides for comprehensive generic strategic support to the Technical Support and Capacity Development Programmes to allow them to focus exclusively on their core functions.

Strategic Goal 4

Provide reliable strategic support services to MISA's core programmes

Only one performance target under the Strategic Support Programme was not achieved. The achievement of targets for the other performance indicators have contributed to improvement in compliance with applicable legislation and regulations, particularly the requirements for accounting and reporting. The support provided by this programme also contributed to improvements in the performance of the core programme within MISA.



1. PERFORMANCE INFORMATION BY PROGRAMME

3.1 Programme 1: Administration

Purpose of the Programme

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

Sub-Programmes

The programme serves as the enabler to the key functions of the organisation. There are three sub-programmes under this programme.

Sub-programme 1: Office of the Chief Executive Officer ensures that the organisational strategy enhances the ability of MISA to achieve its core mandate and that the organisational design facilitates effective implementation of strategic objectives. In addition to the management of the Office of the CEO, the sub-programme ensures that the organisation develops and implements effective planning processes; and that the strategic plan and annual performance plans derived are aligned to the service delivery imperatives identified. This function includes performance oversight and implementation of measures for organisational performance improvement. The sub-programme is also responsible for performing the Internal Audit and Risk Management function within the organisation.

Sub-programme 2: Financial Administration provides sound financial stewardship and management in the organisation, in compliance with relevant legislation, regulations and policies. MISA is a newly established organisation; its financial management capabilities and capacity are presently being established. The Supply Chain Management framework and asset management systems were developed during 2013/14 financial year.

Sub-programme 3: Corporate Services ensures that the working environment in MISA enhances motivation and productivity in the work place. The sub-programme provides human resource management and development, facilities management, security services, communications as well as information communication and technology (ICT) services. As is the case with Financial Administration, MISA is progressively building internal capacity to deliver Corporate Services.



Strategic Objectives

The programme was designed to focus and contribute towards the following three strategic objectives:

- **Strategic Objective 1.1:** Provide effective and efficient corporate governance and administrative support services for MISA to deliver on its mandate.
- **Strategic Objective 1.2:** Effective internal controls, risk management and governance structures.
- **Strategic Objective 1.3:** Refocus and strengthen the capacity of COGTA to deliver on its mandate.

Strategic objectives, performance indicators planned targets and actual achievements

The table below presents performance information under the Administration Programme. Performance indicators and/or outputs are arranged into specific strategic objectives and sub-programmes to clearly demonstrate the contribution of each indicator towards achieving MISA's strategic outcome orientated goals. The table presents the Administration Programme's strategic objectives with the actual audited outputs of the prior year (2014/2015). Focus is, however, on the planned targets as per the Annual Performance Plan and the actual outputs for the financial year under review. Any variance between planned targets and actual achievements is indicated in the table and comments on deviations are reflected accordingly.



Programme Name: Administration					
Sub-programme 1.1: Office of the CEO (including Strategy Development and Performance Management as well as Internal Audit and Risk Management)					
Goal 1: Refocus and Strengthen the capacity of CoGTA to deliver on its mandate					
Strategic Objective 1.1: Provide effective and efficient corporate governance and administrative support services for MISA to deliver on its mandate					
Programme Performance Indicator .	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
1.1.1 Approved Annual Performance Plan .	Achieved	Approved Annual Performance Plan Tabled in Parliament within deadline.	Achieved Approved APP was tabled in Parliament within the deadline.	N/A	N/A
1.1.2 Stakeholder Management Plan implemented and reviewed.	Partially Achieved	Approved stakeholder management plan implemented and reviewed.	Achieved Approved stakeholder management plan implemented and reviewed.	N/A	N/A

Programme: Administration					
Sub-programme 1.2: Office of the CEO (including Strategy Development and Performance Management as well as Internal Audit and Risk Management)					
Goal 1: Refocus and Strengthen the capacity of CoGTA to deliver on its mandate					
Strategic Objective 1.2: Effective internal controls, risk management and governance structures					
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
1.2.1 Establishment of governance structures (i.e. Audit Committee and Risk Management Committee).	Achieved	Establishment and ensuring the functionality of Audit and Risk Management Committees.	Achieved Audit and Risk Management Committees established and fully functional	N/A	N/A

Programme: Administration					
Sub-programme 1.2: Office of the CEO (including Strategy Development and Performance Management as well as Internal Audit and Risk Management)					
Goal 1: Refocus and Strengthen the capacity of CoGTA to deliver on its mandate					
Strategic Objective 1.2: Effective internal controls, risk management and governance structures					
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
1.2.2 Implementation of approved Annual Audit Plan.	Achieved	Implementation of approved Annual Audit Plan.	Achieved Internal Audit Plan developed, approved and implemented.	N/A	N/A
1.2.3 Approved Strategic and Operational Risk Registers.	Achieved	Approved Strategic and operational risk registers.	Achieved Strategic and operational risk registers are in place.	N/A	N/A

Programme: Administration					
Sub-programme 1.2: Corporate Services and Financial Administration					
Goal 1: Refocus and Strengthen the capacity of CoGTA to deliver on its mandate					
SO 1.3: Provide efficient and effective corporate governance and administrative support services in relation to MISA's financial administration and corporate services					
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
1.3.1 Participate proportional resources to the skills audit process conducted within CoGTA by target date.	New performance indicator.	Skills audit outcomes implemented as per the plan.	Not achieved The envisaged CoGTA wide skills audit was not conducted.	MISA did not participate in the skills audit as it was not initiated by DCOG.	The plan was for MISA to participate in the CoGTA wide skills audit process under the leadership of the parent department (DCoG). MISA did not participate because the skills audit was not conducted.



Programme: Administration						
Sub-programme 1.2: Corporate Services and Financial Administration						
Goal 1: Refocus and Strengthen the capacity of CoGTA to deliver on its mandate						
SO 1.3: Provide efficient and effective corporate governance and administrative support services in relation to MISA's financial administration and corporate services						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
1.3.2 Unqualified audit findings with no matters of emphasis.	Unqualified Audit Report.	Unqualified audit findings with no matters of emphasis.	Achieved Unqualified Audit Report	N/A	N/A	
1.3.3 Development of Back to basics dashboard on the Municipal Infrastructure Performance Management Information System by target date.	New performance indicator.	Municipal Infrastructure Performance Management Information System maintained.	Partially achieved The B2B dashboard was developed but not utilised.	Though the dashboard was developed and maintained however it was not utilised by the B2B team.	The dashboard was not utilised due to a decision to first integrate MIPMIS with other systems within the CoGTA Portfolio.	

Strategy to Overcome Areas of Under Performance

Annual targets for the two performance indicators (Performance Indicator 1.3.1 and 1.3.3) were not achieved because they were driven by DCoG. Their achievement was dependent on progress on the related activities that the Department had planned to perform. The skills audit planned for the entire CoGTA Portfolio, for instance, was not undertaken during the year under review and MISA had planned to undertake the audit in collaboration with both DCoG and DTA. To avert the recurrence of this problem, MISA has taken corrective steps by setting performance indicators and corresponding targets in the APP for 2016/17 that are within Management's control.

Linking Performance with Budget

Programme/activity/objective	2015/16			2014/15		
	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	64 713	67 929	(3 216)	70 600	76 600	(6 000)

3.2 Programme 2: Municipal and Sectoral Technical Support

Purpose of the Programme

The purpose of the Technical Support Programme is to provide technical support to targeted municipalities towards the improvement in infrastructure planning, implementation as well as operations and maintenance. The core aim of the programme is to support the reduction of backlogs for basic services. The programme also manages deployment of professional service providers to municipalities.

Sub-programmes

This programme is one of two core programmes aimed at enabling MISA to fulfil its formal mandate. The programme comprises two sub-programmes as presented below.

- **Sub-programme 1: Municipal Technical Support** ensures that municipal technical planning and implementation support is provided in accordance with the organisation's operating model (assigning technical resources according to municipal needs, managing their performance, reporting on delivery and ensuring the transfer of skills to municipal officials, amongst others).
- **Sub-programme 2: Sectoral Support, Coordination and Grants Support** ensures that resources are effectively mobilised to support sectoral initiatives in municipalities; and to manage relations and promote collaboration with service delivery partners participating in these initiatives.



Strategic Objectives

In the period under review the Municipal and Sectoral Technical Support (MSTS) Programme focussed on one strategic objectives as presented below.

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

Strategic objectives, performance indicators planned targets and actual achievements

The table below presents MISA's performance towards achieving the pre-determined objectives through an assessment of actual achievements against performance indicators and planned targets.



Programme: Municipal and Sectoral Technical Support						
Sub-programme 2.1: Municipal and Sectoral Technical Support						
Goal 2: Ensure significant improvements in service delivery through sound infrastructure management.						
Strategic Objective 2.1: Facilitate improvements in service delivery by coordinating all sustainable infrastructure development and maintenance initiatives in order to extend infrastructure to unserved communities and promote a culture of quality service and payment thereof by end March 2019.						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
2.1.1 Number of municipalities supported with project management to develop, implement, and refurbish sectoral infrastructure projects, which include water, sanitation, energy, road and storm water, solid waste and human settlements.	New Indicator.	34	Achieved 38 municipalities were provided with project management support to develop and implement infrastructure projects.	4 Above the target	MISA improved its operational effectiveness by employing more technical consultants to provide services to municipalities. This led to MISA support being provided to additional municipalities thereby exceeding the target for the KPI.	
2.1.2 Number of municipalities assisted with the development and implementation of sectoral and strategic plans.	New Indicator.	33	Achieved 33 municipalities were assisted to develop Master Plans and Strategic Plans.	N/A	N/A	
2.1.3 Number of municipalities supported to develop, review and implement Operations and Maintenance Plans, including spending of minimum 7% of the OPEX budget.	New Indicator.	21	Achieved 21 municipalities were supported to develop Operations and Maintenance plans.	N/A	N/A	



Programme: Municipal and Sectoral technical Support					
Sub-programme 2.1: Municipal and Sectoral Technical Support					
Goal 2: Ensure significant improvements in service delivery through sound infrastructure management.					
Strategic Objective 2.1: Facilitate improvements in service delivery by coordinating all sustainable infrastructure development and maintenance initiatives in order to extend infrastructure to unserved communities and promote a culture of quality service and payment thereof by end March 2019.					
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
2.1.4 Number of Municipalities supported to capture and manage the infrastructure asset through MIPMIS.	New Indicator	50	Achieved 66 municipalities were trained to utilise MIPMIS as a tool to capture infrastructure assets.	16 Above the target.	More municipalities within some districts than originally planned were represented in some of the training sessions resulting in a higher number of municipalities being trained than the targeted number without incurring additional costs.

Changes to Planned Targets

Performance indicators and targets were not changed during the financial year under review.

Linking Performance with Budget

Programme/activity/objective	2015/16			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
MSTS	157 400	154 990	2 410	163 400	181 800	(18 400)

Performance Highlights: Municipal Sectoral and Technical Support (MSTS)

The Programme provides technical expertise to support municipalities to plan, deliver, operate and maintain infrastructure, including land use management related planning. The Programme supports infrastructure delivery at municipal level in collaboration with sector departments as well as other key stakeholders. During the period under review, some of the highlights of the programme include the following:

- In the North West Province, MISA provided support to the Tosca Water Supply Project in Kagisano-Molopo Local Municipality located in Dr Ruth Segomotsi Mompati District Municipality. The Project focused on the construction of 279m of 90mm diameter uPVC pipes, 1237m of 75mm diameter uPVC pipes, 2303m of 63mm diameter uPVC pipes. In addition, the project focused on the installation of 10 communal standpipes, refurbishment of 2 boreholes, construction of 2 pump houses and the erection of a 201kl elevated steel tank on a 15m steel stand. The Project benefitted 490 households and contributed towards job creation by creating a total of 20 jobs.
- As a result of MISA intervention, approximately 8300 households in Enhlalakahle are currently receiving the full water resources since the completion of phase 1 of the Greytown Bulk Water Project. Once the project is complete, it is estimated 11340 households will receive water services.
- In Greater Tubatse, MISA technical consultants provided project management support and quality control in the Electrification of 24 villages, benefitting 13 000 households. As in March 2016, Five villages were electrified, Five villages at 90% of completion, seven villages at 55% - 79%, two villages at 45% - 54% and two villages at 10% - 44% of electrification process.
- In Kannaland, Western Cape MISA Technical consultants supported the resealing of Ladysmith Reservoir leading to reduction of water losses in the municipality.



- Coordinating Commission (PICC) aimed at addressing infrastructure planning and infrastructure service backlogs in 27 priority districts. The PMO has completed situation analysis reports and recommended intervention in the water and sanitation sectors in Sekhukhune. In addition, MISA in partnership the MIG Unit in DCOG established a turnaround team to address poor spending on MIG allocations in Sekhukhune. To this end, an amount of R160 m that was earmarked for stopping and reallocation to other municipalities was retained in the municipality. As a result of this turnaround, Sekhukhune District Municipality is the one of the best performing municipalities in Limpopo with its spending on its MIG allocation currently above 70%.

Below are some of key success stories where MISA provided support through its Technical Consultants in selected municipalities.

1. OPERATIONS AND MAINTENANCE SUPPORT TO KANNALAND LOCAL MUNICIPALITY

a) Ladismith Reservoir repair

The aim of this project was to seal water leaks on one of the reservoirs and to obtain a better picture with regarding water losses in Ladismith town. To cut water losses as well to create a better baseline for water revenue and to improve O&M of the water system and water demand management. Leaks were repair by means of identify and repair of leaks and applying of a nontoxic chemical substance inside and outside the reservoir wall to seal hair cracks.



HANDOVER OF RESERVOIR ATTENDED BY KANNALAND MAYOR.

Contract amount: R880 308.00

Completion time: 10 weeks

Completion date : 24 Feb 2016

b) Van Wyksdorp Reservoirs

The aim of this project was to identify leaks on all three reservoirs, repair the leaks, covering the inside of the reservoirs with a plastic material and to obtain a better picture with regarding water losses in Van Wyksdorp town, to cut water losses as well to create a better baseline for water revenue and to improve O&M of the water system and water demand management. Leaks were repaired by means of identify and repair of leaks and covering the inside of the reservoirs with plastic material and apply a nontoxic chemical substance outside the reservoir walls to seal hair cracks.

**RESEALING AND UPGRADING OF RESERVOIRS AND VALVES IN PROGRESS**

Contract amount: R 835 132

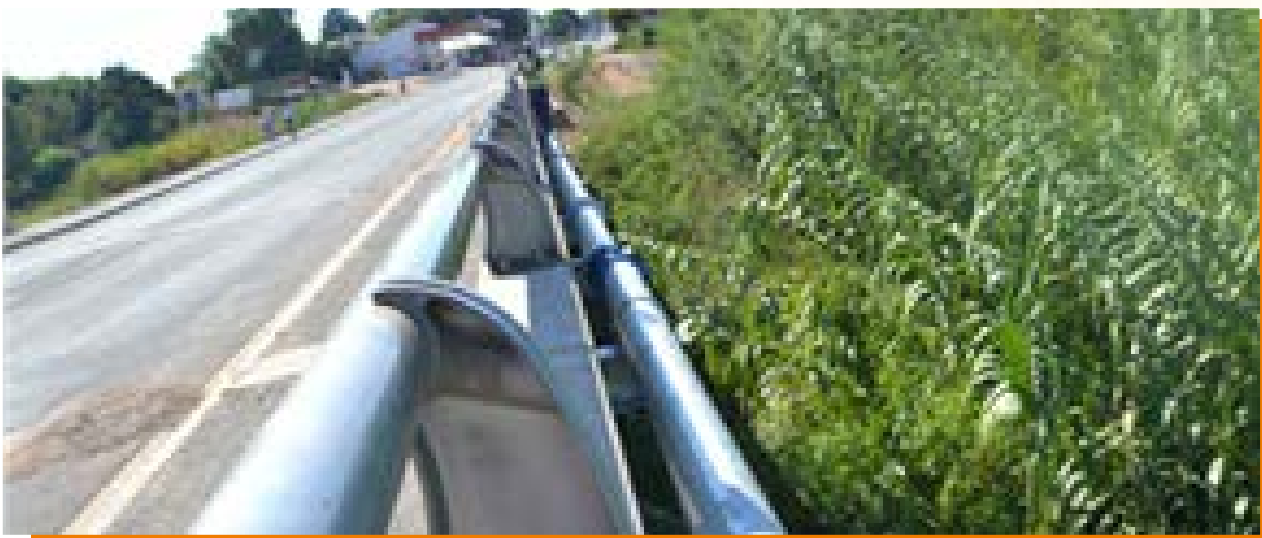
Completion time: 12 weeks

Completion date: 14 April 2016



c) Calitzdorp Bulk Water Supply Pipeline

During the 2012/13 financial year additional houses was built in Calitzdorp (Bergsig area) for poor families. The project did consist of 750 houses. The first phase consisted of 250 houses which were completed in the 2012/13 financial year. Due to inadequate water supply to the area phase 2&3 of the housing project was ceased. Investigation was done to identify what measures are needed to meet this demand. A dedicated bulk water supply pipeline from the Voortrekker water pump station to Bergsig reservoirs was identified. The existing pipeline is a 150 mm in diameter and did supply water to the Bergsig reservoirs. The existing pipeline did act as a supply and feeder which did result in low pressures or non-supply at peak demands. The new 200mm diameter dedicated pipeline acted as a feeder whereas the existing 150 mm diameter pipeline been use as a distribution pipe.



d) Drought Intervention

Short term water relief project for Ladismith and Zoar towns of Kannaland Municipality in Western Cape Province.

Problem Statement

In December 2014, the water dams in the towns of Ladismith and Zoar, ran out of water due to severe drought. Faced with this challenge, the Kannaland municipality appealed for short term relief to the Department of Water and Sanitation (DWS).





Test in Progress



Drilling in progress



Cap borehole



Equipped borehole ready for production

As the process would have required high use of electricity, the engineer came up with an environmentally friendly solution – boreholes that operated on solar energy. Today, each borehole in Kannaland municipality yields 42 litres of water per second resulting in adequate water supply for the 6000 households. Over 2000 of the households are poor and are now benefitting from the solution.



MISA Intervention and Support



Raw water storage Dam during the 2014 drought period in Kannaland Municipality area

As a short-term relief measure, the DWS provided the Kannaland municipality with R9 million which had to be used in less than two months to meet the financial year end requirements. MISA deployed engineer in Kannaland municipality helped to come up with strategic solutions to resolve the crisis. At the time, the municipality only had one borehole which was plagued by technical problems due to poor workmanship and as a result could not help to fill the capacity of the dams.

The MISA engineer, Johan Pieterse, developed requirements for contractors for drilling of more boreholes for higher yields of water. Eleven more boreholes were constructed to provide the more than 6000 households with uninterrupted water supply. There are now 12 boreholes that serve the two towns. (See pics below)



12 Boreholes



2. KHUTSONG SPORTS STADIUM

Background

The township of Khutsong is situated to the west of Carletonville. A sports stadium is situated in the area but it was vandalised during political unrest and was in a state of disrepair and consequently not being utilised at all. The need to upgrade the sports stadium was identified to provide a recreational facility for the community.

The MISA Technical Consultant compiled a Municipal Infrastructure Grant business plan which was subsequently approved by the Provincial authorities. This secured the funding to proceed with the project.

Scope of Work

The sports stadium consists of two buildings which comprise of change rooms, ablution facilities and spectator seating areas. The scope of work comprised of the upgrading of the change rooms and ablution facilities by the replacement of wash hand basins, urinals, toilets and showers and effecting structural repairs. Elements of the roof sheeting were also replaced and painted and the spectator area was painted as well.

The sports playing field was upgraded to accommodate both an athletics track and a soccer field. The upgrading entailed the levelling of the area, importing and spreading top soil and planting grass. This was a highly labour-intensive exercise which provided approximately 60 employment opportunities for the local community.

The water pressure in the area is poor and it was necessary to provide an assured source of water at an adequate pressure to irrigate the athletics track and soccer field. To this end, two 10 000 litre water tanks, a pump and irrigation reticulation were installed. Three self-propelling cannon sprays were also purchased.

In order to separate the players from the spectators, ClearVu fencing was erected around the whole playing area. Four high mast lights were also refurbished to allow practice sessions and matches to be played in the evening.

The ticket office area was also upgraded and barbed wire was installed on the perimeter wall for security purposes. A caretaker's cottage was built to accommodate an operations staff member responsible for the maintenance of the facility.

Conclusion

The MISA Technical Consultant provided technical support during the procurement and construction phases of the project as well as transferring skills to Merafong's technical staff members.



Upgraded sports stadium spectator area with high mast lights in the background



3.3 Programme 3: Capacity Development

Purpose of the Programme

Capacity Development advises and supports municipalities on building institutional technical capacity through the development of technical skills for the delivery of sustainable infrastructure that would result into effective and efficient service delivery in the long term. This programme is designed to contribute to MISA's Strategic Goal 3 aimed at enhancing institutional resilience and initiating the next phase of institution building by strengthening the functionality of municipalities through the development and implementation of administrative and institutional systems and facilitating capacity building initiatives in order to build a capable local government.

Sub-programmes

Capacity Development Programme is one of the two core programmes within MISA. It comprises one sub-programme as described below.

Sub-Programme 3.1: Capacity Development

This sub-programme supports Pillars 2 (Infrastructure Management and service delivery) and Pillar 5 (Institutional Capacity) of the CoGTA Back to Basics Strategy. It serves as an enabler for institutional technical capacity development through implementation of the Apprenticeship, Young Professionals, Water/wastewater Process Controllers, Technical Training and Mentoring to Registration programmes as well as the development and implementation of capacity development plans to build technical skills in municipalities. It also focuses on the management of the technical bursary programme, training of municipal technical officials and professionalisation of municipal officials.

Strategic Objectives

During the year under review the Capacity Development Programme was responsible for two strategic objectives that are depicted below.

- **Strategic Objective 3.1:** Facilitate capacity building initiatives in order to build a capable local government by end March 2019.
- **Strategic Objective 3.2:** Professionalisation of technical municipal officials.

Strategic objectives, performance indicators planned targets and actual achievements

The table below presents MISA's performance towards achieving the pre-determined objectives through an assessment of actual achievements against performance indicators and planned targets.



Programme: Capacity Development						
Sub-programme 3.1: Capacity Development						
Goal 3: Build Institutional Resilience and Initiate the next phase of Institution Building						
Strategic Objective 3.1: Facilitate capacity building initiatives in order to build a capable local government by end March 2019						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
3.1.1 Number of municipal officials undergoing technical training courses.	Achieved 963 municipal officials trained through technical courses.	400	Achieved 988 municipal officials trained through technical short courses.	588 above the target.	The reason for exceeding the target was that most of the courses offered were oversubscribed and a decision was taken to accommodate all municipal officials who arrived to attend training.	
3.1.2 Number of technical municipal officials supported through Road to Registration Course towards attaining professional registration.	Not Achieved	100	Achieved 100 municipal officials trained on the Road to Registration course.	N/A	N/A	



Programme: Capacity Development						
Sub-programme 3.1: Capacity Development						
Goal 3: Build Institutional Resilience and Initiate the next phase of Institution Building						
Strategic Objective 3.2: Professionalization of technical municipal officials						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
3.2.1	Students awarded with bursaries for studies in technical professions.	186	Achieved 186 students received financial support for their studies through MISA Technical Bursary.	N/A	N/A	
3.2.2	Number of Apprentices trained.	400	Achieved 321 section 13 apprentices trained.	23 below the Target	The number of apprentices remaining in the programme at the end of the financial year was lower than the target of 400 because some learners dropped out and others completed their training during the year. MISA had stopped the recruitment of new apprentices due to the new approach to apprentices training that places the primary responsibility for employing learners to municipalities.	

Programme: Capacity Development						
Sub-programme 3.1: Capacity Development						
Goal 3: Build Institutional Resilience and Initiate the next phase of Institution Building						
Strategic Objective 3.2: Professionalization of technical municipal officials						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
3.2.3 Number of Water/Wastewater Process Controllers trained.	New performance indicator.	100	Achieved 87 water and waste water process controllers completed the training and reached NQF Level 2.	13 below the target	The number of learners that completed the training is lower than the target due to resignations but the original number of learners enrolled for the training was 100.	
3.2.4 Number of Young Graduates supported towards professional registration.	Partially Achieved 27 young graduates trained against the target of 40.	60	Not Achieved 35	25 below the target	The target was not reached because of discontinuation of the recruitment of new learners due to the new approach that seeks to assign primary responsibility for employing learners to municipalities providing workplace training opportunities for graduates trainees.	
3.2.5 Number of Experiential learners supported to acquire workplace experience.	Achieved 103 Experiential Learners trained.	170	Not Achieved 42	128 below the target	The target was not reached because of discontinuation of the recruitment of new learners due to the new approach that seeks to assign the primary responsibility for employing learners to municipalities providing workplace training opportunities for experiential learners.	



Strategy to Overcome Areas of Under Performance

The under expenditure incurred against the budget allocation for Capacity Building Programme was caused by discontinuation of the recruitment of experiential learners and graduates for learnership to allow for smoother transition towards the new approach of implementing learning programmes. This decision resulted in under-achievement in relation to performance indicators 3.2.4 and 3.2.5. In the future MISA will play a facilitation and support role in respect of the learning programme in municipalities participating in the programme will employ learners directly. MISA will ensure that the performance targets for the coming financial year are fully achieved by providing adequate support to municipalities that will be involved in the training of learners.

Linking Performance with Budgets

Program me/activit y/ objective	2015/16			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Capacity Building	81 900	71 958	9 942	60 000	42 600	17 400

Performance Highlights: Capacity Development Programme

One of the key performance highlights for capacity building during the 2015/16 financial years was the enrolment of 256 apprentices in accredited training centres for the off-the-job training component of their apprenticeship. As a result of this milestone, most of these learners have the potential to complete their training and attain artisanship in their respective trades during the 2017/18 financial year. A total of 26 apprentices successfully undertook trade testing in various trades and exited the programme during the year under review.

Another performance highlight was the training of 87 water and waste water process controllers to obtain NQF level 2 qualification in the field. These learners have enhanced their chances of employment in municipalities and other agencies involved in water and sanitation services. MISA is also exploring opportunities to support these learners with further training towards the attainment of at least NQF level 4. In this regard, engagements with relevant stakeholders such as LGSETA, EWSETA and others will be conducted with the aim of raising the necessary funds to support this training.

New bursaries have been offered to additional 96 qualifying students pursuing studies in built environment disciplines from 2016 academic year. These students will contribute to the expansion of a pool of technically skilled individuals with the capability to contribute to the development of the country through employment in local government, other spheres of government, state-owned companies or the private sector. The training of over 600 municipal officials through short technical courses ensured upskilling that will benefit municipalities through improved individual performance.



Success stories from the Capacity Building Programme

1. Handing over of Water and Wastewater Process Controllers Certificates and Boreholes to Communities

The following pictures were taken during Minister's visit to Alfred Nzo District Municipality during the handing over of Boreholes to the District, as well as handing over Certificates to Matatiele Learners after successfully completing their Water and Wastewater Process Controller Training. The event occurred on the 11th July 2016 in Matatiele.



Top: L-R: Mayor (Matatiele Local Municipality), Executive Mayor (Alfred Nzo District Municipality), Minister Van Rooyen and MEC (Local Government -EC) during the handing over of certificates to Water and Wastewater Process Controllers in Matatiele who were trained through MISA Capacity Building Programme.



Above: Storage tanks and tap at Ha Ramafole at a borehole site interior of a container that houses the borehole and its wiring to the generator at Ha Ramafole village.



Below: Minister Van Rooyen and MEC officially handing over the borehole project to Executive Mayor of Alfred Nzo District Municipality and the Mayor of Matatiele Local Municipality on the 11th July 2016.



3.4 Programme 4: Strategic Support

Purpose of the Programme

Provide comprehensive generic strategic support to the Technical Support and Capacity Development Programmes that will allow them to focus exclusively on their core functions.

Sub-Programmes

Strategic Support Programme comprises two sub-programmes as highlighted below.

Sub-programme 4.1: *Vendor, Legal and Contract Management Services* is responsible for effective and efficient management and monitoring of contracts and the provision of legal support.

Sub-programme 4.2: *Monitoring and Evaluation Services* develops and implement mechanisms to monitor and evaluate the impact of technical support and capacity development in the targeted municipalities. Results are continuously fed back into the environmental analysis process to ensure operational alignment. This Sub-Programme also includes *Assessment Services*. This function ensures that instruments are developed and utilised to assess, prioritise and select municipalities for technical support and capacity development.

Strategic Objectives

The programme was designed to focus and contribute towards the attainment of one organisational goal and two strategic objectives as presented below.

- **Strategic Objective 4.1:** Provide effective and efficient legal and contract management support to the organisation.
- **Strategic Objective 4.2:** Provide effective monitoring and evaluation of the outputs, outcomes and impact of MISA's programmes in local government.

Strategic objectives, performance indicators planned targets and actual achievements

The table below presents MISA's performance towards achieving the pre-determined objectives through an assessment of actual achievements against performance indicators and planned target.



Programme: Strategic Support						
Sub-programme 4.1: Legal, Vendor Services and Contract Management						
Goal 4: Provide reliable strategic support services to MISA's core programmes						
Strategic Objective 4.1: Provide effective and efficient legal and contract management support to the organisation						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
4.1.1	Contract management and monitoring system implemented and reviewed.	Contract management and monitoring system implemented.	Achieved Contract management and monitoring system implemented. Five 5 contract management workshops covering 7 provinces were conducted (NW, Gauteng, Limpopo, KZN, EC, Mpumalanga and FS).	N/A	N/A	
4.1.2	Percentage of legal opinions and contracts drafted and feedback provided within 15. working days upon receipt of the request.	100%	Achieved All the 7 legal opinions and 85 Contracts, 6 MoUs and 43 Addendums were drafted and feedback provided within 15 working days of receipt of request.	N/A	N/A	

Programme: Strategic Support						
Sub-programme 4.2: Monitoring and Evaluation Services						
Goal 4: Provide reliable strategic support services to MISA's core programmes						
Strategic Objective 4.2: Provide effective monitoring and evaluation of the outputs, outcomes and impact of MISA's programmes in local government						
Programme Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations	
4.2.1 Number of compliance M&E reports developed and approved within prescribed timelines.	5	5	Achieved Four quarterly performance reports and one annual report.	N/A	N/A	
4.2.2 Number of programme and project evaluation reports compiled and approved.	1	4 Project evaluation reports	Not Achieved	4 below the Target	Inadequate internal capacity to facilitate evaluations.	



Strategy to Overcome Areas of Under Performance

The target for performance indicator 4.2.2 under Strategic Support Programme was not achieved due to inadequate capacity in the Monitoring and Evaluation Unit. There was only one official within Capacity Building during the year under review. The capacity problem is unlikely to be experienced in the coming year because the position of Head of Corporate and Financial Services has been filled.

4. Linking Performance with Budgets

Budget and expenditure information relating to the Strategic Support Unit is incorporated under Administration Programme.

4.1 Revenue Collection

Sources of Revenue	2014/15			2014/15		
	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	-	300	-	9 904	9 942.7	(38.7)
Management Fee from BEP Programme	-	2 000	-	-	-	-
Total	-	2 300	-	9 904	9 942.7	(38.7)

The additional income of R2.3 million was earned from the sale of tender documents and management fee earned by undertaking the role of an implementing agent for the Bucket Eradication Programme in the Northern Cape Province, on behalf of the Department of Water and Sanitation. MISA does not budget for revenue from the sale of tender documents and the income from management fees was not budgeted for because it was not clear at the beginning of the year whether MISA would continue to be involved in the project.



Earmarked funds

The table below details the conditional grants and earmarked funds received during the period 01 April 2015 to 31 March 2016.

Department who transferred the grant	Department of Cooperative Governance
Purpose of the grant	Government Grant for MISA operations as a going concern
Expected outputs of the grant	Realisation of assets, settlement of liabilities, contingent obligations and commitments
Actual outputs achieved	Realisation of assets, settlement of liabilities, contingent obligations and commitments
Amount per amended DORA (R'000)	-
Amount received (R'000)	R304 013 000
Reasons if amount as per DORA was not received	-
Amount spent by MISA (R'000)	R294 876 362
Reasons for the funds unspent by the entity	The underspending was mainly due to delays in the implementation of the organisational structure resulting in most of the positions remaining vacant
Reasons for deviations on performance	-
Measures taken to improve performance	-
Monitoring mechanism by the receiving department	Quarterly performance reporting

Capital Investment

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



PART C

GORVENANCE



1. INTRODUCTION

The governance processes and systems for MISA are set out in the Public Service Act, 1994. In particular, section 7A of the Act sets out the manner in which MISA as a government component should be managed and be held accountable. These processes are also outlined in the government notice on MISA administration and operations gazetted on 05 July 2014. In terms of the Act, MISA's execution of its mandate is subject to the guidance of the Minister for Cooperative Governance and Traditional Affairs, as the designated Executive Authority, and an Advisory Board (if established). In terms of the Act, the Head of MISA is the designated Accounting Officer of the organisation.

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

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

2. PORTFOLIO COMMITTEES

MISA presented the 2014/15 Annual Report to the Portfolio Committee (PC) on Cooperative Governance and traditional Affairs on the 14th of October 2015. In the process of presenting the report, the entity's intention to refine its focus was emphasised with the view to alerting the Committee of a need to adopting more robust strategies towards addressing technical capacity constraints in municipalities. The PC raised the following concerns with regard to MISA's performance:

- Lack of adequate oversight on MISA operations;
- The effectiveness of leadership;
- Risk management and internal audit;
- The effectiveness of human resource management, policies and procedures;
- The ICT governance environment; and
- The effectiveness of internal controls.

The challenges faced by MISA were mainly attributed to instability or vacancies in key positions. It was therefore recommended that MISA compile a post audit action plan and presents progress on its implementation by the end of the quarter.



On the 28th of October 2015, MISA presented an integrated Post Audit Action Plan to the PC. The presentation focused on progress made in the implementation of the action plan based on the 2014/15 audit by the Auditor-General of South Africa. At the time of presenting to the PC, 64% of the findings had been addressed, whereas significant progress had been made in addressing the other 34.5%; with only 1.5% outstanding. The 1.5% was on the names of the bidders who were not published on the auditee's website. The finding has since been addressed. The presentation was highly appreciated by the Portfolio Committee and MISA was encouraged to keep on doing the good work.

On the 1st of March 2016, MISA presented its 2015/16 Third Quarter Performance Report and 2016/17 Annual Performance Plan (APP) to the Portfolio Committee on Cooperative Governance and Tradition Affairs. The performance report was noted. The highlights of the APP presentation included additional funding that the entity managed to get from the National Treasury towards the implementation of the Regional Management Support Contract (RMSC) project. It was reported that National Treasury had committed an allocation of R80.5m over the 2016 to 2018 Medium Term Expenditure Framework (MTEF) towards the rollout of the RMSC. The ring-fenced allocation was to be transferred in two tranches of R30.5m and R50m, respectively, in the 2016/17 and 2017/18 financial years. The Portfolio Committee (PC) was also briefed on MISA's intention to put in place national framework contracts for certain municipal infrastructure goods and services. The PC welcomed the presentation and supported the implementation of the APP. On the 5th of April 2016, MISA presented the 2016/17 APP to the Select Committee on Cooperative Governance and Traditional Affairs in the National Council of Provinces (NCOP). The presentation noted by the Committee for implementation.

3. EXECUTIVE AUTHORITY

The Accounting Officer compiled and submitted the following reports to the Executive Authority:

Report Submitted	Date of Submission	Comments by the Executive Authority	Action Taken
2014/15 Fourth Quarter Performance report	29/04/2015	Noted for discussion	None
2015/16 First Quarter Performance report	30/07/2015	Noted	None
2014/15 Annual Report	20/08/2015	Approved for tabling in Parliament.	Report submitted for tabling in Parliament.
2015/16 Second Quarter Performance Report	30/10/2015	Noted	None
2015/16 Third Quarter Performance Report	29/01/2016	Noted	None



MISA management presented a revised MISA structure based on the organisation's refined refocus and the HR delegations to the Executive Authority on the 26th of February 2016. Following this engagement both the revised structure and HR delegations were approved by the Minister.

4. THE ACCOUNTING AUTHORITY / BOARD

Notwithstanding that the applicable legislation, particularly section 7A (4)(e) empowers the Minister of Cooperative Governance and Traditional Affairs, as the Executive Authority for MISA, to appoint an Advisory Board for MISA, the appointment of such a Board is not mandatory. Since the Executive Authority has not exercised this option, MISA did not have an Advisory Board in the year under review. The role of the Board would be limited to advising the Minister and the Accounting Officer of the organisation as opposed to the performance of the executive role. Such advice would be on such matters as measures to support municipalities on infrastructure development and maintenance, strategic leadership and organisational performance and any other matter that the Minister may determine from time to time.

5. RISK MANAGEMENT

MISA had implemented a risk management policy and strategy in the 2015/16 financial year. Quarterly risk assessments were conducted to determine the effectiveness of risk management strategy and to identify new and emerging risks. A Risk Management Committee was established and advised MISA Management on the overall system of risk management and acceptable levels of risk. The Audit Committee also advised Management on risk management issues. It also independently monitored the effectiveness of the risk management system. For the period under review, there has been progress in addressing risks identified which has led to improvement in organisational performance.

6. INTERNAL CONTROL UNIT

MISA does not have an Internal Control Unit in its approved structure. However, various sections within the organisation developed policies, standard operating procedures and process flows to address any weakness in internal controls that may arise.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The MISA Internal Audit Function worked as an independent, objective assurance and consulting unit designed to add value and improve the organisation's operations. It helped the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In the year under review, the Internal Audit Unit developed and implemented a risk based strategic and operational coverage plan that encompassed the following areas:

- Audit of Performance Information (strategic plan, quarterly & annual performance, financial statement);
- Procurement and Accounts Payables;
- Human Resources and Payroll Management;
- Review of IT General Controls; and
- Post Audit Action Plan (including Dashboard).



All audits scheduled for the period under review were performed and reports, with recommendations, were issued to Management and presented to the Audit Committee. There was one Ad hoc request from management for the review of procurement of venues and facilities. Internal Audit continues to evaluate the effectiveness of risk management and makes recommendations for reducing risk to an acceptable level. The Audit Committee assisted the organisation by fulfilling its oversight responsibilities of reviewing the adequacy of processes so that MISA maintains effective, efficient and transparent systems of financial, performance, risk management, governance and internal control.

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

Name	Qualifications	Role	Scheduled Meetings	
			Held	Attended
Mr F Sinthumule	Dip: Finance & Accounting, BCom Accounting, MBA (Special Project on PFMA)	Chairperson appointed on 22 July 2013	4	4
Mr E Cousins	BCom Accounting (M); BCom Hons (Auditing), Advanced Diploma in Public Administration	External Member appointed on 22 July 2013	4	4
Adv RR Dehal	Advocate of the High Court of South Africa, BProc, LLB, LLM	External Member appointed on 22 July 2013	4	4
Ms D Dondur CA(SA)	Bachelor Of Accounting, B Compt Hons, Chartered Accountant-(CA) (SA) Honours In Business Administration MBA	External Member appointed on 01 September 2014	4	3
Ms P Mzizi CA(SA)	BBusSci Finance (UCT) BCompt Hons CTA (UNISA) BCom Hons in Transport Economics (UNISA)	External Member appointed on 01 February 2015	4	4



8. COMPLIANCE WITH LAWS AND REGULATIONS

In 2013/14 audit MISA had findings relating to non-compliance with SITA Act in the procurement of the Municipal Infrastructure Performance Management Information System (MIPMIS) and as well failure to observe the minimum 21 days for advertising, there were gaps in formal appointment of bid committees, misalignment between the SCM Policy and Treasury Regulations, as well as inconsistencies in the closing of bid registers and recording of deviation registers. MISA has since revised its SCM Policy and aligned it to National Treasury regulations, internal controls have been improved, compliant processes and systems are in place for overall management of the procurement process. The procurement plan is aligned to MISA's strategic objectives and Annual Performance Plan. Bid committees were established according to the requirements as set in the regulations. MISA is currently engaging with SITA regarding the condonation of expenses incurred deployment of MIPMIS. MISA is currently implementing the new standards on Infrastructure Procurement and Delivery Management (IPDM) and as well the changes that National Treasury recently introduced by National Treasury that include the introduction of Central Supplier Database, E-Tenders and G-Commerce.

9. FRAUD AND CORRUPTION

MISA's fraud and corruption prevention strategy integrates the processes, policies, and resources to minimise the risk of fraud and corruption. The strategy is intended to serve as an additional measure to assist in the limitation of fraud and corruption risks with a particular focus on creating awareness and promoting ethical conduct. The risk assessments performed during the period under review also took into consideration the fraud prevention plan. Employees are constantly encouraged to report suspected incidences of fraud and corruption using any of the following mediums of communication:

The contact details where anonymous tip-offs can be made are:

Toll free number: 0800 701 701

Website: www.publicservicecorruptionhotline.org.za

Unique e-mail address: integrity@publicservicecorruptionhotline.org.za

Postal address: PO Box 582, Umhlanga Rocks, Kwazulu-Natal, 4320

Free Facsimile: 0800 2014 965

SMS: 39772.

10. MINIMISING CONFLICT OF INTEREST

Steps were taken to minimise conflict of interests in supply chain management processes. These include the requirements for all members of bid committees and Supply Chain Management (SCM) officials to sign Declaration of Interests and Confidentiality forms for each and every bid committee meeting attended. In instances where a member would be conflicted, they would be excuse themselves from participating in the bid process for that particular tender. Companies and their directors were vetted before a preferred service provider was appointed to check for possible undeclared interests amongst bid committee members and SCM officials.



11. CODE OF CONDUCT

In the year under review, MISA maintained a Code of Conduct with a standard set of rules and regulations that all employees were expected to abide by these rules. The Code of Conduct clarified the standards of behaviour expected of all MISA employees in the performance of their duties. It also gave guidance in areas where employees needed to make personal and ethical decisions, created a link to MISA values and assisted in upholding Batho Pele Principles. In compliance with the Code, employees conducted themselves in a professional and appropriate manner while at work, or in a situation related to their work.

An employee found guilty of a minor form of misconduct would be given a verbal warning at the first occurrence thereof. The issuing of a written warning would be used prior to disciplinary action for minor misconduct depending on the evidence, circumstances and seriousness of each situation. Each transgression would be dealt with on its own merit in all instances. At the occurrence of a misconduct of a more serious nature, an employee would receive a warning (written or final), or suspension without pay, a demotion or a combination of these sanctions, or face dismissal or summary dismissal at the discretion of MISA Management, depending on the evidence, circumstances and seriousness of each situation. An alleged offender would be afforded an opportunity to lodge an appeal against the verdict or sanction within five working days of being informed of the outcome.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

MISA followed the provisions of the Employee Health and Wellness Strategic Framework (EHWSF) as a broad guide for the implementation of its employee health and wellness programme. This resulted in a working environment that supported effective and efficient service delivery without compromising employees' personal circumstances and their health conditions.

Health safety and environmental issues were addressed by:

- Ensuring the development and implementation of a written policy on managing the health, safety and wellbeing of employees;
- Appointing a designated official to champion the Health and Safety Management programmes in the workplace; and
- Ensuring the provision of resources for the implementation of Health and Safety Management programmes in the organisation.

13. COMPANY / BOARD SECRETARY

The Executive Authority did not exercise the option of establishing an Advisory Board and therefore there was no Board Secretary in the year under review.

14. SOCIAL RESPONSIBILITY

MISA did not implement any social responsibility programme outside its Annual Performance Plan.



15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

15.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

The Audit Committee consisted of the members listed hereunder. The Committee is required to meet at least four times per annum as per its approved terms of reference. Four (4) meetings were held for the current financial period.

Name	Qualifications	Role	Scheduled Meetings	
			Held	Attended
Mr F Sinthumule	Dip: Finance & Accounting, BCom Accounting, MBA (Special Project on PFMA).	Chairperson appointed on 22 July 2013	4	4
Mr E Cousins	BCom Accounting (M); BCom Hons (Auditing), Advanced Diploma in Public Administration.	External Member appointed on 22 July 2013	4	4
Adv RR Dehal	Advocate of the High Court of South Africa, BProc, LLB, LL.M.	External Member appointed on 22 July 2013	4	4
Ms D Dondur CA(SA)	Bachelor Of Accounting, B Compt Hons, Chartered Accountant-(CA) (SA) Honours In Business Administration MBA.	External Member appointed on 01 September 2014	4	3
Ms P Mzizi CA(SA)	BBusSci Finance (UCT) BCompt Hons CTA (UNISA) BCom Hons in Transport Economics (UNISA).	External Member appointed on 01 February 2015	4	4

15.2 AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee is satisfied that it has complied with its responsibilities as outlined in Section 38(1) (a) of the PFMA and Treasury Regulation 3.1.3. The Audit Committee also reports that it has adopted a formal terms of reference as its audit committee charter, and has discharged all its responsibilities as contained therein.



15.3 THE EFFECTIVENESS OF INTERNAL CONTROLS

In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in MISA revealed certain weaknesses, which were then raised with MISA. Through our analysis of the audit reports and engagement with MISA we can report that the system of internal controls for the period under review was not adequate and effective.

During the year under review the Committee met with the Executive Authority and raised concerns with regard to capacity constraints within MISA and requested the urgent intervention of the Minister.

15.4 RISK MANAGEMENT

The Committee is responsible for the oversight of risk management. Based on the quarterly reviews performed, it can be concluded that the departmental risk management is not adequate and effective.

15.5 EFFECTIVENESS OF INTERNAL AUDIT

The Committee is satisfied that the Internal Audit operated effectively during the year under review. Internal Audit Management reported directly to the Audit Committee, with Internal Audit also reporting independently on the progress by management in implementing the turnaround strategy plan to secure remedial actions. An approved three year risk based strategic plan and an annual operation plan were implemented by Internal Audit.

The following internal audit work was completed during the year under review as per approved plans:-

- Quarterly review of the Performance Information.
- Audit of Procurement and Account Payables.
- Audit of Human Resource and Payroll Management Review.
- IT General Controls Review.
- Review of the Post Audit Action Plan including the Dashboard.

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

MISA presented and reviewed the financial management and performance (predetermined objectives) reports at its Quarterly Review Meetings. These reports were also discussed at the Audit Committee meetings and issues were raised with MISA. MISA has reported to the Executive Authority as required by the PFMA.



15.3 EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- Reviewed the Annual Financial Statements prior to submission for Audit;
- Reviewed and discussed with the Auditor-General and Accounting Officer the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and management response; and
- Reviewed adjustments resulting from the audit.

15.4 AUDITOR-GENERAL SOUTH AFRICA

We have reviewed MISA's implementation plan for audit issues raised in the previous year and concluded that it is adequate but partially effective as some of the matters have not been adequately resolved. The Audit Committee is not aware of any unresolved issues with respect to the current audit.

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

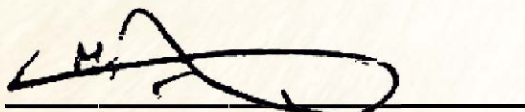
15.5 GENERAL

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

15.6 CONCLUSION

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

Signed on behalf of the Audit Committee by:



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



PART D

HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

MISA's Human Resource Management function continued to be rendered through a shared service arrangement with the Department of Cooperative Governance (DCoG) in accordance with an existing MOU between the two organisations. Human resources policies, processes and procedures of the Department were adopted and applied. The organisation succeeded in filling the positions of the Chief Executive Office and the Chief Financial Officer during the period under review. A revised organisational structure aligned with the refined focus for the organisation was developed and approved by the Minister. This structure has been submitted to DPSA and MISA is awaiting concurrence on the revised structure.

The organisation continued to place reliance on individual technical consultants and the majority of administrative staff members in the back office were still on fixed term contracts. There was no workforce planning framework and key strategies developed to attract skilled and capable employees. A comprehensive Human Resources Plan will be developed once the revised structure is approved and this will provide the basis for the development of a retention strategy.

MISA implemented the Department's employee performance development and management system for all employees on PERSAL. Significant improvements were made in relation to the implement of employee performance framework. The rate of submission of performance agreements and performance assessment reports within the organisation was 93% against a submission rate of below 30% in the previous financial year. Due to capacity constraints, MISA has not developed its own employee wellness programme. MISA employees are, however, supported through DCOG's employee wellness programme and are encouraged by management to utilise this service.

Management took steps to regularise the appointment of back office staff on fixed term contracts. The contracts for these were set to expire at the end of July 2016. Management is exploring possible ways of maintaining the current capacity after the expiry of these contracts whilst awaiting concurrence from DPSA in relation to the revised structure. The filling of vacant positions, in general, depends largely on the concurrence from DPSA to the revised structure. Before this structure is in place, most of the positions on the original structure will remain vacant and this could result in adverse audit findings due to high vacancy rate.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The tables below provide key statistical information on human resources, which MISA is required to disclose in terms the Public Service Act. The financial amounts presented in these tables are aligned with the amounts disclosed in the annual financial statements, as required by the legislation.



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/Strategic Support	67 929	15 292	23%	30	510
MSTS	154 990	12 377	8%	12	1 031
Capacity Building	71 958	26 991	38%	416	65
Total	294 877	54 660	19%	458	119

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 248	4%	2	1 124
Senior Management	21 754	39%	16	1 360
Professional qualified	0	0	0	0
Skilled	7 505	13%	10	751
Semi-skilled	3 782	7%	17	223
Unskilled	20 400	37%	413	49
Total	55 689	100%	458	122

Performance Rewards

Programme//activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	2 052	0%
Senior Management	40 119	21 950	0.18%
Professional qualified	0	0	0%
Skilled	29 317	7 505	0.39%
Semi-skilled	0	3 782	0%
Unskilled	0	20 400	0%
Total	69 436	55 689	0.12%

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/Strategic Support	15 292	717	4.9%	28	26
Capacity Building	26 991	37 302	138%	413	90
Total	42 283	38 019	90%	441	86



Employment and Vacancies

Programme/activity/objective	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Internal Audit & Risk	1	3	2	1	33%
Technical Support	12	13	12	1	8%
Programme & Project Planning	Nil	51	Nil	51	100%
Infrastructure Project Management	Nil	29	Nil	29	100%
Vendor Services	4	14	2	12	86%
Capacity Building	4	16	417	17	-
Corporate Services	17	39	19	20	51%
Office of the CEO	6	9	6	3	33%
Total	44	174	458	134	77%

Programme/activity/objective	2014/2015 No. of Employees	2014/2015 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	1	4	2	2	50%
Senior Management	16	12	16	0	-
Professional qualified	-	89	-	89	100%
Skilled	27	69	10	59	86%
Semi-skilled	0	0	17	0	-
Unskilled	0	0	413	0	-
TOTAL	44	174	458	150	67%

Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	1	1	1
Senior Management	16	0	0	16
Professional qualified	0	0	0	0
Skilled	4	7	0	11
Semi-skilled	3	15	1	17
Unskilled	514	0	101	413
Total	538	23	103	458

Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	Nil	Nil
Resignation	35	34%
Dismissal	Nil	Nil
Retirement	Nil	Nil
Ill health	Nil	Nil
Expiry of contract	68	66%
Other-transfer	Nil	Nil
Total	103	100%



The highest proportion of individuals who left the organisation during the year under review were learners under Capacity Building Programme whose contracts expired. MISA did not replace those learners because of a shift in strategic focus that will result in the role of MISA in the training of learners changing from that of an employer to a facilitator. Under this new approach adopted by management during the course of 2015/16, municipalities will directly employ all new learners with MISA assisting them with the management of their training programmes and mobilisation of funding from the SETAs.

Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary Action	Number
Verbal Warning	5
Written Warning	0
Final Written warning	0
Dismissal	0
Total	5

Equity Target and Employment Equity Status

MISA did not set employment equity targets because the approved structure has not been fully implemented yet. An operational structure included in this annual report was utilised during the year under review. Equity targets will be set prior to the implementation of the new structure currently being considered by DPSA. This structure has been approved by the Minister and submitted to DPSA for concurrence.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	1	0	0	0	1	0
Senior Management	11	0	0	0	0	0	0	0
Professional qualified		0	0	0	0	0	0	0
Skilled	5	0	0	0	0	0	0	0
Semi-skilled	6	0	0	0	0	0	0	0
Unskilled	265	0	13	0	0	0	5	0
Total	287	0	14	0	0	0	6	0



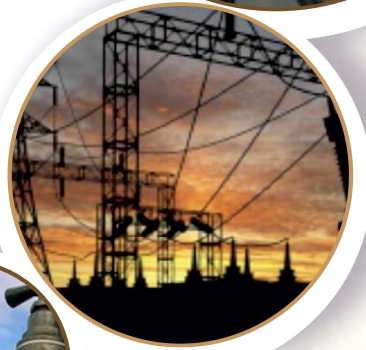
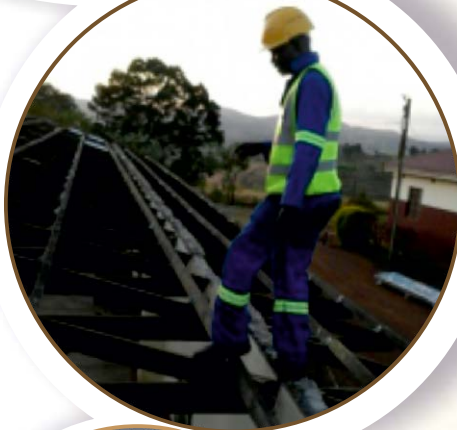
Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	-	0	-	0	-	0	-
Senior Management	5	-	0	-	0	-	0	-
Professional qualified	0	-	0	-	0	-	0	-
Skilled	5	-	0	-	0	-	0	-
Semi-skilled	12	-	0	-	0	-	0	-
Unskilled	128	-	1	-	0	-	0	-
TOTAL	150	-	1	-	0	-	0	-

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	0	0	0	0



PART E

FINANCIAL INFORMATION



Report of the auditor-general to Parliament on Municipal Infrastructure Support Agent Report on the financial statements

Introduction

1. I have audited the financial statements of the Municipal Infrastructure Support Agent set out on pages 79 to 112, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.



Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

8. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the Municipal Infrastructure Support Agent at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the government component for the year ended 31 March 2016:

- Programme 2: Municipal and Sector technical Support on pages 32 to 42
- Programme 3: Capacity Development on pages 49 to 43

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. The material findings in respect of the selected programmes are as follows:



Programme 2: Municipal and Sectoral technical Support

Usefulness of reported performance information

14. Reasons for variances between planned targets and actual achievements reported in the annual performance report were not provided for one out of two targets where a variance occurred as required by the National Treasury's Guide for the preparation of the annual report. Additionally, I was unable to obtain sufficient appropriate audit evidence to support the reason that was provided for the variance between the planned target and actual achievement for the remaining target.
15. The FMPPI requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable. A total of 25% of targets were not specific and measurable.
16. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 25% of indicators were not well defined.
17. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 25% of indicators were not verifiable.

Reliability of reported performance information

18. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the evidence provided.

Programme 3: Capacity Development

Reliability of reported performance information

19. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for the reported achievements against planned targets of an important indicator.

Additional matters

20. I draw attention to the following matters:
Achievement of planned targets

21. Refer to the annual performance report on pages 43 to 49 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 14 to 19 of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: Municipal and Sectoral technical Support and programme 3: Capacity Development. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness and reliability of the reported performance information.



Compliance with legislation

23. I performed procedures to obtain evidence that the government component had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the Public Finance Management Act.

25. Material misstatements of liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

26. Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury Regulation 16A9.2.

27. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

28. Invitations for competitive bidding were not always advertised for a required minimum period, as required by Treasury Regulation 16A6.3(c).

29. IT related goods and services, classified as mandatory, were not procured through SITA as required by Treasury Regulation 16A6.3(e).

Expenditure management

30. Effective steps were not taken to prevent irregular expenditure, amounting to R162 339 454 as disclosed in note 22 of the AFS, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

31. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R486 833 as disclosed in note 21 of the AFS, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

32. Contractual obligations and money owed by the entity were not settled within 30 days, as required by section 38(1)(f) of the Public Finance Management Act and Treasury Regulation 8.2.3.

Internal control

33. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

34. Leadership did not exercise effective oversight responsibility regarding performance reporting and compliance as well as related internal controls.



Financial and performance management

35. Regular, accurate and complete performance reports that were supported and evidenced by reliable information were not prepared throughout the year.
36. Compliance with applicable legislation was not effectively reviewed and monitored.
37. Proper record keeping was not always implemented in a timely manner. Thus complete, relevant and accurate information was not accessible and available to support performance reporting in certain instances.

Other reports

38. I draw attention to the following engagements that could potentially impact on the government component's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

39. The National Treasury is performing an investigation at the request of the Municipal Infrastructure Support Agent. The investigation was initiated based on the possible fraudulent and/or irregular transactions perpetrated through travel, accommodation and conferencing arrangements done under the stewardship of the contracted travel agency. At the end of the reporting period, the investigation was not yet concluded.
40. The National Treasury performed an investigation at the request of the government component. The investigation was initiated based on alleged irregular procurement and human resource processes. The investigation concluded on 8 March 2016 and recommended that appropriate corrective action be taken against certain employees. These proceedings are currently in progress.

Auditor-General

Pretoria

15 December 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



2. ANNUAL FINANCIAL STATEMENTS



Municipal Infrastructure
Support Agent (MISA)

REPUBLIC OF SOUTH AFRICA

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)
Annual Financial Statements
for the year ended 31 March 2016



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

General Information

Nature of business and principal activities	MISA is a dedicated and coordinated technical capacity programme to support municipalities in accelerating the 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
Telephone number	+2712-848 5300
Email address	communications@misa.gov.za
Website address	www.misa.gov.za
Auditors	Auditor-General South Africa
Bankers	Standard Bank South Africa
Secretary	None
Controlling entity	The Municipal Infrastructure Support Agent (MISA) is a Government Component within the Ministry for Cooperative Governance and Traditional Affairs (CoGTA), established in terms of Presidential Proclamation No. 29 of 2012. It is a Schedule 3 entity regulated in terms of the Public Service Act, of 1994, as amended. Its principal mandate is to provide technical support to and assist municipalities to strengthen their internal capacity for delivery and maintenance of basic service infrastructure.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the Parliament of South Africa:

Index

Accounting Officer's Responsibilities and Approval

Accounting Officer's Report

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Accounting Policies

Notes to the Annual Financial Statements

Abbreviations

CoGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
SPV	Special Purpose Vehicle
IFRS	International Financial Reporting Standards
PFMA	Public Finance Management Act
PSA	Public Service Act



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Officer's Responsibilities and Approval

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


The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or loss 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 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 operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Officer has reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in light of this review and the current financial position, he is satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 7 to 34, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 July 2016 and were signed on its behalf by:



Mr. Mandazo Vimba
Chief Executive Officer



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Officer's Report

The Accounting Officer submit his report for the year ended 31 March 2016.

1. Incorporation

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

Establishment of MISA

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

- Supporting comprehensive infrastructure planning at municipal level.
- Supporting municipal infrastructure development, maintenance, operations and service provision in low capacity municipalities through the procurement of all relevant service providers, and ensuring performance as contracted.
- Supporting the management of operations and ensuring a proper maintenance programme for the municipal infrastructure.
- Coordinating a focussed technical support programme with existing support patterns.
- Monitoring the quality of infrastructure provided.
- Developing and coordinating the implementation of an appropriate sector-wide capacity development initiative and assist municipalities to develop a capacity development plan to strengthen their institutions over the long term.

On establishment the funding for the SPV (pre-cursor) to MISA was ring fenced within the vote of the principal department. At the time, the SPV was operating as sub-programme within the Department of Cooperative Governance Programme 6: Infrastructure and Economic Development.

MISA was officially proclaimed as a government component on 11 May 2012, in terms of section 7(5)(c) of the Public Service Act, 1994 (promulgated under Proclamation No. 103 of 1994). It has been established under the executive authority of the Minister for Cooperative Governance and Traditional Affairs, with the Department of Cooperative Governance (DCoG) as its principal department. Accordingly, MISA operates within the department's broader legislative and policy mandates.

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

- Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended) and Treasury Regulations
- Public Service Act, 1994 (promulgated under proclamation No. 103 of 1994) and Public Service Regulations (2001)

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

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

2. Review of activities

Main business and operations

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.

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

The operating results and state of affairs of the government component are fully set out in the attached annual financial statements.

MISA was established as a government component in terms of Section 7(5)(c) of the Public Service Act (PSA) as amended by Act 30 of 2007. The establishment of MISA as a government component is integrally tied to the turnaround strategy of the Department of Cooperative Governance.

Net surplus for the period under review

Net surplus of the government component for the year under review is R 11 441 652 (2015: surplus R 2 057 621).



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Officer's Report

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 government component to continue as a going concern is dependent on a number of factors. The most significant of these is that CoGTA or National Treasury will continue funding the ongoing operations for the entity. MISA will continue its operations for the foreseeable future.

4. Subsequent events

MISA's Chief Executive Officer (Dr S Phillips) resigned on 30 April 2016 and Mr T Dladla was appointed Acting Chief Executive Officer effective 01 May 2016.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Fraud

A service provider submitted a tax clearance certificate which was not issued by SARS. During the award of the tender the tax clearance certificate was checked if it was in the name of the entity, the validity in terms of dates and the other applicable aspects. The amounts paid to the service provider were being held as a liability by MISA on behalf of the Department of Human Settlements. The amount paid to the service provider is R68 608 373. The contract was terminated by mutual agreement. The matter is now before the arbitrator who will determine which party (between MISA and service provider) must pay the other and the amount thereof. The fraud was perpetrated in the 2013.

MISA is not aware of any financial impact in the current year from the fraud mentioned above.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Officer's Report

7. Accounting Officer

The details of the Accounting Officer of MISA are as follows:

Name	Nationality	Changes
Dr Sean Phillips	South African	Resigned 30 April 2016
Mr Themba Dladla	South African	Appointed 01 May 2016 to 31 October 2016
Mr Ntandazo Vimba	South African	Appointed 01 November 2016



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Position as at 31 March 2016

	Notes	2016 R	2015 Restated* R
ASSETS			
Current Assets			
Receivables from Exchange Transactions	2	-	6 606 249
Prepayments	3	1 534 949	4 804 464
Receivables from Non-Exchange Transactions	4	691 405	517 286
Cash and Cash Equivalents	5	52 939 625	7 662 854
		55 165 979	19 590 853
Non-Current Assets			
Property, Plant and Equipment	6	8 273 250	10 017 248
Intangible assets	7	31 495 705	34 269 713
		39 768 955	44 286 961
TOTAL ASSETS		94 934 934	63 877 814
LIABILITIES			
Current Liabilities			
Operating Lease Liability	8	631 367	484 586
Payables from Exchange Transactions	9	51 023 388	30 820 350
Provisions	10	1 606 222	1 730 582
		53 260 977	33 035 518
Non-Current Liabilities			
Operating Lease Liability	8	659 746	1 269 735
TOTAL LIABILITIES		53 920 723	34 305 253
NET ASSETS		41 014 211	29 572 561



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Performance

	Notes	2016 R	2015 Restated* R
REVENUE			
Revenue from Exchange Transactions			
Other Receipts	11	2 305 264	9 942 707
Revenue from Non-Exchange Transactions			
Transfer revenue			
Government grants (CoGTA)	12	304 012 750	294 162 000
TOTAL REVENUE		306 318 014	304 104 707
Expenditure			
Employee related costs	13	(54 659 606)	(54 678 574)
Depreciation and amortisation	14	(7 383 439)	(4 268 371)
Contracted services	15	(171 046 736)	(214 823 673)
General Expenses	16	(61 786 581)	(28 276 469)
TOTAL EXPENDITURE		(294 876 362)	(302 047 087)
Surplus for the year		11 441 652	2 057 620



Municipal Infrastructure Support Agent (MISA)

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2014 as previously reported:	26 228 460	26 228 460
Adjustment:		
Prior period error	1 286 478	1 286 478
Restated* Balance 1 April 2014	27 514 938	27 514 938
Restated* Surplus for the year 2015	2 057 621	2 057 621
Balance as at 31 March 2015	29 572 559	29 572 559
Restated* Balance at 01 April 2015	29 572 559	29 572 559
Changes in net assets		
Surplus for the year 2016	11 441 652	11 441 652
Total changes	11 441 652	11 441 652
Balance at 31 March 2016	41 014 211	41 014 211



Municipal Infrastructure Support Agent (MISA)

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Cash Flow Statement

	Notes	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Grants		325 551 624	294 162 000
Other income		2 305 264	9 942 707
		<u>327 856 888</u>	<u>304 104 707</u>
Payments			
Employee costs		(53 621 846)	(54 594 652)
Contractors		(170 420 578)	(318 835 092)
Goods and services		(55 672 260)	(28 276 469)
		<u>(279 714 684)</u>	<u>(401 706 213)</u>
Net cash flows from operating activities	17	48 142 204	(97 601 506)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2 865 433)	(4 365 504)
Purchase of other intangible assets	7	-	(5 363 774)
Net cash flows from investing activities		(2 865 433)	(9 729 278)
Net increase/(decrease) in cash and cash equivalents		45 276 771	(107 330 785)
Cash and cash equivalents at the beginning of the year		7 662 854	114 993 639
Cash and cash equivalents at the end of the year	5	52 939 625	7 662 854



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

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 of 1999). The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below:

1.1 Basis for preparation

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

The figures are presented in South African Rand.

The financial statements have been prepared on an accrual basis using the historical cost model.

1.2 Going concern assumption

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

1.3 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.:

Property Plant and Equipment- To determine the useful life of assets management considered for what time period they expect to use the assets. They also considered the time period similar assets are used for, by entities of a similar nature.

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

1.4 Contingent liabilities

Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that raises from the 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.

1.5 Property, Plant and Equipment

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 government component; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.5 Property, Plant and Equipment (continued)

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.

Assets are carried at cost less accumulated depreciation and any impairment losses subsequent to recognition.

The straight line depreciation method was used for all the assets disclosed. Assets are depreciated from when they are available for use as intended by management. The useful lives of assets were estimated by the Accounting Officer.

An item of property, plant and equipment is derecognised

- on disposal, and /or
- when no future benefits or service potential expected from use or disposal.

The gain or loss arising 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 items of Property, Plant and Equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	3-5 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Computer equipment	3-5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date.

1.6 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 government component; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost.

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

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

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

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

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

Item	Useful life
Internally generated intangible assets	10 years
Computer software	3-5 years

Intangible assets are derecognised:

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



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.6 Intangible assets (continued)

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.

1.7 Financial instruments

A financial asset is:

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

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

- deliver cash or another financial asset to another agency or government component
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the government component.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- are held for trading.

Trade and other receivables

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.

Trade payables

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.

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 government component 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 government component 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 government component recognises financial assets using trade date accounting.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The government component 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 government component 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 to the statement of financial performance. 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 to the statement of financial performance. 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 government component derecognises financial assets using trade date accounting.

The government component derecognises a financial asset only when:

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

Financial liabilities

The government component 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 agency or government component 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).



Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

1.8 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.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the government component 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.

A cash-generating unit is the smallest identifiable group of assets held with the primary 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.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the government component also tests 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.

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.

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

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

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the government component 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.



Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

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

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

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

Identification

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

The government component 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 government component 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 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.

MISA's assets are not used to generate cash.

1.11 Employee benefits

Employee benefits are all forms of consideration given by a government component in exchange for service rendered by employees.

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.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.11 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the government component recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The entity recognise the expected cost of bonus, incentive and performance related payments when the government component 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.

1.12 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 entity 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.

MISA received income from sale of bid documents and management fees for managing the funds of the Department of human settlements for the bucket eradication programme.

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the government component has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the government component retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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 government component ; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.12 Revenue from exchange transaction(s) (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 government component ;
- 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. MISA renders service to the Department of Human Settlements to manage the bucket eradication programme.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a government component , 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, a government component either receives value from another agency or government component without directly giving approximately equal value in exchange, or gives value to another agency or government component 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 CoGTA 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 government component 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 CoGTA.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.13 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 government component.

When, as a result of a non-exchange transaction, the government component 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.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful 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.

1.16 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.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

Irregular expenditure is disclosed in note 22 in the annual financial statements.

1.17 Unauthorised Expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either: approved by Parliament with funding and the related funds are received, or approved by Parliament without funding and written off against the appropriation in the statement of financial performance, or transfer to receivables for recovery. Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

1.18 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



Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

1.18 Related parties (continued)

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

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

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

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

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

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

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

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



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
2. Receivables from Exchange Transactions		
Department of Water and Sanitation	-	6 606 249

The amount owed by the Department of Water and Sanitation in the previous financial year relates to the payment made to bucket eradication programme service providers by MISA on behalf of the Department of Water and Sanitation.

3. Prepayments

An amount of R3 313 342 (2015: R11 739 735) was expensed during the year under review against the prepayment of R4 260 265 from prior year for the Industrial Development Trust.

Property rentals prepayment relate to Riverside Office Park which is being utilised by MISA. The prepaid rent relates to the operating lease liability in note 8 and the operating lease liability should be viewed in conjunction with the prepayment of rental.

Prepayment-Industrial Development Trust	946 923	4 260 265
Prepayment-Property rentals	588 026	544 199
	1 534 949	4 804 464

4. Receivables from Non-Exchange Transactions

Staff recoveries	249 933	75 814
Amounts owed by third parties	441 472	441 472
	691 405	517 286

Amounts owed by third parties relates to expenditure paid for services that were not rendered.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	2 049	5 510
Bank balances	11 880 399	6 301 516
Short-term deposits	41 057 177	1 355 828
	52 939 625	7 662 854

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	31 March 2016	31 March 2015	31 March 2014	31 March 2016	31 March 2015	31 March 2014
Standard Bank -Cheque Account	921 463	359 030	61 031 689	921 463	359 030	61 031 689
Standard Bank - Current Account	10 958 936	5 942 486	3 614 281	10 958 936	5 942 486	3 614 281
Standard Bank -Petty Cash Account	2 049	5 510	2 063	2 049	5 510	2 063
Standard Bank-Money Market Call Account	41 057 177	1 355 828	50 345 606	41 057 177	1 355 828	50 345 606
Total	52 939 625	7 662 854	114 993 639	52 939 625	7 662 854	114 993 639



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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6. Property, Plant and Equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	4 775 144	(2 783 075)	1 992 069	4 775 144	(1 825 426)	2 949 718
Motor vehicles	624 322	(160 002)	464 319	624 322	(70 569)	553 753
Office equipment	1 946 558	(908 408)	1 038 150	1 730 780	(531 141)	1 199 639
Computer equipment	11 169 939	(6 391 226)	4 778 712	8 520 284	(3 206 145)	5 314 138
Total	18 515 963	(10 242 711)	8 273 250	15 650 530	(5 633 281)	10 017 248

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	2 949 718	-	(957 649)	1 992 069
Motor vehicles	553 753	-	(89 434)	464 319
Office equipment	1 199 639	215 778	(377 267)	1 038 150
Computer equipment	5 314 138	2 649 655	(3 185 081)	4 778 712
	10 017 248	2 865 433	(4 609 431)	8 273 250

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	3 893 452	10 400	(954 134)	2 949 718
Motor vehicles	198 317	424 362	(68 926)	553 753
Office equipment	1 029 447	506 998	(336 806)	1 199 639
Computer equipment	4 550 466	3 423 744	(2 660 072)	5 314 138
	9 671 682	4 365 504	(4 019 938)	10 017 248

Pledged as security

There are no items of Property, Plant and Equipment pledged as security. Assets fully depreciated but in use are some computer equipment on the asset register to the value of R 0 (Cost: R768 124).

7. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	749 047	(653 654)	95 393	749 047	(425 618)	323 429
Intangible assets	33 946 284	(2 545 972)	31 400 312	33 946 284	-	33 946 284
Total	34 695 331	(3 199 626)	31 495 705	34 695 331	(425 618)	34 269 713



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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7. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	323 429	(228 036)	95 393
Intangible assets	33 946 284	(2 545 972)	31 400 312
	34 269 713	(2 774 008)	31 495 705

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	526 262	45 600	(248 433)	323 429
Intangible assets	28 628 110	5 318 174	-	33 946 284
	29 154 372	5 363 774	(248 433)	34 269 713

Pledged as security

There are no intangible assets pledged as security. Assets fully depreciated but in use on the asset register carried at R 0 have a cost price of R 228, 518.

8. Operating Lease Liability

Non-current liabilities	(659 746)	(1 269 735)
Current liabilities	(631 367)	(484 586)
Operating Lease Accrual	(1 291 113)	(1 754 321)
Minimum lease payments due		
- within one year	6 229 756	6 135 558
- in second to fifth year inclusive	4 392 006	11 390 642
	10 621 762	17 526 200

Additional to the minimum lease payments due for the office space, MISA will also be required to pay assessment rates to the value of R 475 368 within the next 12 month and R 316 912 in the next 2 to 5 years.

The amounts above shows operating leases for office space and copiers combined together. The office space is for Riverside Office Park and copiers were leased from Konica Minolta.

The escalation is 9% on the office park lease agreement and none on copiers. The lease term for Riverside Office Park is for a period of 5 years which commenced on the 1st of December 2012 and ends on the 30th of November 2017.

The lease term for Konica Minolta is for a period of 5 years which commenced on the 1st of December 2012 and ends on the 30th of November 2017.

9. Payables from Exchange Transactions

Interest liability	2 436 972	2 310 222
Trade creditors	45 668 105	28 389 208
Other payables	232 552	120 920
Department of Water and Sanitation	2 685 759	-
	51 023 388	30 820 350

Interest liability - the interest liability represents interest accrued on Call deposit account number 608838780-001. The interest is payable to National Treasury through CoGTA.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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10. Provisions

Reconciliation of provision 2016

	Opening Balance	Movement for the year	Total
Leave Provision	1 196 654	(142 692)	1 053 962
Bonus Provision	533 928	18 332	552 260
	1 730 582	(124 360)	1 606 222

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

Bonus Provision: This relates to the amounts owing to MISA staff for their 13th cheque. The bonus is based on the total basic salary of each employee.

11. Other receipts

Management fees	2 305 264	9 942 707
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Other income largely comprises of management fees received from the management of the Department of Human Settlements funds for the Northern Cape bucket eradication project.

12. Government grants (CoGTA)

Government grant	304 012 750	294 162 000
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Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
13. Employee related costs		
Salaries	50 371 916	48 651 169
Bonus	1 139 141	979 634
Medical aid	431 842	741 360
Pension	1 937 240	1 768 469
Travel, motor car, accommodation, subsistence and other allowances	779 468	2 537 942
	54 659 606	54 678 576
Remuneration of Chief Executive Officer - Phillips SD		
Salary	1 846 544	-
Pension	169 823	-
Medical	36 504	-
	2 052 871	-
Remuneration of Deputy Director General- Hansby R		
Salary	179 940	1 141 538
Pension	16 095	96 567
	196 035	1 238 105
Remuneration of Chief Director- Mahlawe O		
Salary	295 385	1 434 935
Remuneration of Chief Director -Seitsho MG		
Salary	947 840	896 975
Pension	82 535	78 232
Medical aid	27 840	27 840
	1 058 215	1 003 047
Remuneration of Chief Financial Officer - Stishi F		
Salary	157 939	-
Pension	15 811	-
Other	12	-
	173 762	-
Remuneration of Chief Director - Mogale M		
Salary	975 680	924 814
Pension	82 535	78 232
	1 058 215	1 003 046



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
13. Employee related costs (continued)		
Remuneration of Chief Director - Seabelo KG		
Salary	990 320	938 695
Pension	83 774	79 406
	1 074 094	1 018 101
Remuneration of Chief Director - Vimba GN		
Salary	1 005 938	1 002 277
Performance Bonuses	40 721	-
Pension	85 436	84 279
Medical	-	1 750
	1 132 095	1 088 306
Remuneration of Chief Director - Mnqayi AZ		
Salary	-	851 926
Pension	-	71 713
	-	923 639
Remuneration of Chief Director - Dladla TH		
Salary	511 851	973 065
Pension	43 287	67 163
Medical	12 250	21 000
	567 388	1 061 228
Remuneration of Chief Director - Ngobeni TS		
Salary	954 556	890 928
Pension	96 291	89 922
Medical	7 368	7 368
	1 058 215	988 218
Remuneration of Chief Director : Office of CEO - Mathada V		
Salary	963 392	898 854
Pension	82 535	77 076
Medical	12 288	12 288
	1 058 215	988 218
14. Depreciation and amortisation		
Property, Plant and Equipment	4 609 431	4 019 938
Intangible assets	2 774 008	248 433
	7 383 439	4 268 371



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
15. Contracted Services		
Apprentices and Agency Support	2 484 196	4 428 583
Information Technology Services	2 800 367	2 493 945
Professional and Consulting Services	158 466 481	200 344 279
Property Rentals	6 438 592	6 842 617
Security Services	857 100	714 249
	171 046 736	214 823 673

In the current year MISA reclassified internal audit fees from employee related cost (Salaries) to contracted services (Professional and Consulting Services) 2016: R1 177 110 (2015: R 1 205 188). The reclassification more accurately reflects the nature of the expenditure.

16. General expenses

Accommodation	2 498 981	3 659 661
Advertising	1 892 727	936 230
External audit fees	4 416 876	2 461 839
Bank charges	89 239	76 109
Bursaries	8 121 896	7 160 453
Catering	259 086	337 429
Cleaning	499 721	536 398
Computer expenses	1 153	31 920
Consumables	939 906	687 742
Entertainment	35 522	217 594
Insurance	-	17 983
Newspapers and magazines	16 650	560 805
Sundry expense	1 317 572	772 895
Telephone	1 029 625	1 388 949
Training	38 030 429	8 191 140
Transport	2 007 663	988 459
Venues and facilities	629 535	250 863
	61 786 581	28 276 469

Included under sundry expenses are the following expenses:

SARS penalty	236 900	192 489
Consumables	35 490	32 056
Petrol	55 770	36 700
Write off expenditure	-	469 871
Medical aid penalty	-	41 779
Honorarium	90 000	-
Legal costs	899 412	-
	1 317 572	772 895

17. Cash generated from (used in) operations

Surplus	11 441 650	2 057 620
Adjustments for:		
Depreciation and amortisation	7 383 439	4 268 371
Movements in operating lease liabilities	(463 208)	365 865
Changes in working capital:		
Receivables from Exchange Transactions	6 606 249	(112 606 249)
Other receivables from non-exchange transactions	(174 119)	(272 286)
Prepayments	3 269 515	14 056 817
Payables from Exchange Transactions	20 078 678	(5 471 644)
	48 142 204	(97 601 506)



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
17. Cash generated from (used in) operations (continued)		
The note reconciles to net cash flows from operating activities as per the Cashflow statement.		
18. Commitments		
Authorised capital expenditure		
Approved and contracted for		
· Intangible assets	-	21 504 642
· Technical Experts	82 720 565	65 758 103
· Contractors	97 259 990	221 212 522
	179 980 555	308 475 267
Approved and contracted for - within one year		
· Intangible assets	-	21 445 887
· Technical Experts	55 679 736	52 458 801
· Contractors	61 045 105	171 763 084
	116 724 841	245 667 772
Approved and contracted for - 2 years and longer		
Technical Experts	27 040 829	13 299 302
Contractors	36 214 885	49 449 438
Intangible Assets	-	58 755
	63 255 714	62 807 495

This committed expenditure relates to consultants and service providers and will be financed by annual transfers from CoGTA.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
19. Related parties		
Relationships		
The following entities are members of the same economic entity namely:		
-Department of Cooperative Governance (DCoG)- Controlling Entity		
-Department of Traditional Affairs (DTA)- Fellow Controlled Entity		
-South African Local Government Association- Fellow Controlled Entity		
-South Africa Cities Networks- Fellow Controlled Entity		
Fees for members of Audit and Risk Committee		
Chairperson- Mr F Sithumule	110 326	-
External Member- Mr E Cousins	55 046	-
External Member- Adv RR Dehal	37 519	-
External Member- Ms D Dondur	43 696	-
External Member- Ms P Mzizi	62 332	-
	308 919	-

The amount relates to fees for attendance of audit and risk committee meetings.

For key management personnel refer to Note 13

MISA operates as a government component under Department of Cooperative Governance and Traditional Affairs (CoGTA). In the prior year MISA shared an audit committee with CoGTA and audit committee fees were paid by CoGTA.

Related party transactions

Transfers received

Transfers from CoGTA	304 012 750	294 162 000
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Payments made

Amounts paid to CoGTA for reimbursement of costs	31 639 485	31 679 550
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Related party balances

Amount included in payables from exchange transaction(Trade Creditors) owed to CoGTA for the recovery of cost paid by CoGTA on behalf of MISA	3 469 438	2 244 831
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20. 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. Grant funding will sustain the operations of MISA. The consideration was that MISA will continue its operations in the next twelve months as CoGTA supports the entity with financial support.

21. Fruitless and wasteful expenditure

Opening balance	840 237	327 934
SARS penalty fees (PAYE)	236 900	192 489
Medical aid	-	94 944
Salary Overpayment	249 933	224 871
Less: salary overpayment transferred to Receivables for recovery	(249 933)	-
	1 077 137	840 238



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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21. Fruitless and wasteful expenditure (continued)

SARS penalty and interest: the amount relates to penalties for late payment of PAYE.

Salary overpayment: the amount relates to overpayment of salary to a resigned employee.

Medical aid: payment of medical aid for resigned employees. The matter was not reported in writing to National Treasury.

Verbal warning issued to employees still at MISA.

22. Irregular expenditure

Opening balance	104 916 626	31 687 786
Add: Irregular Expenditure - relating to prior year	78 757 718	-
Add: Irregular Expenditure - current year	83 581 736	73 228 840
Less: Amounts condoned	(25 930 988)	-
	241 325 092	104 916 626

Analysis of expenditure awaiting condonation per age classification

Current year	136 408 466
Prior years	104 916 626
	241 325 092

Details of irregular expenditure – current year

Irregular expenditure	Disciplinary steps taken/criminal proceedings	
1. MISA procured the development of the Municipal Infrastructure Performance and Monitoring Information Systems (MIPMIS) not through SITA as required by SITA Act	No disciplinary steps have been taken yet. The transgression was due to the incorrect interpretation and application of MISA's legal status i.e whether MISA operates as a public entity or a government department. The SITA Act makes it mandatory for a public entity to use the services of SITA. Condonation from SITA was requested and awaiting response.	21 184 859
2. Tender advertisements made for less than 21 days	Verbal warning issued to employees still at MISA.	34 934 814
3. Professional fees and travel invoices were signed without delegated authority.	Condoned by the Chief Executive Officer	25 930 988
4. Mandatory IT goods and services not procured through SITA.	No disciplinary steps taken yet	1 531 075
		83 581 736

Details of irregular expenditure condoned

Professional fees and travel invoices were signed without delegated authority.	Condoned by the Chief Executive Officer	25 930 988
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In addition to the disclosure above, there are contracts that are currently under investigation, The extent of the possible irregular expenditure cannot be quantified at present.



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

23. New standards and interpretations

23.1 Standards and interpretations effective and adopted in the current year

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

23.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105	No effective date yet	Immaterial
• GRAP 106	No effective date yet	Immaterial
• GRAP 107	No effective date yet	Immaterial
• GRAP 20	No effective date yet	Used to develop accounting policy for related parties
• GRAP 18: Segment Reporting	No effective date yet	Immaterial
• GRAP 32: Service Concession Arrangements: Grantor	No effective date yet	Immaterial
• GRAP 108: Statutory Receivables	No effective date yet	Immaterial
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date yet	Immaterial
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	No impact
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	Additional disclosure as required by GRAP 17
• GRAP 109: Accounting by Principals and Agents	No effective date yet	Immaterial



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
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24. Financial risk

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

Age analysis of these receivables

Less than 3 months	-	7 123 535
3-6 months	144 195	-
6-9 months	29 679	-
9-12 month	2 776	-
12 month and older	514 755	-
	691 405	7 123 535

Liquidity risk

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

MISA does not have any long term liabilities. The entity receives its funding from CoGTA and incurs expenditure in terms of a planned budget.

Maturity Analysis

less than 3 months	51 023 388	27 668 166
3-6 months	-	3 116 701
6-9 months	-	35 483
9-12 months	-	-
	51 023 388	30 820 350

Market risk

Market risk is the risk that the fair value or future cash flows of an entities financial instruments may fluctuate due to changes in market prices. MISA has no exposure to market risk.

25. Prior period error

Statement of Financial Position

Prior year (increase)/decrease in accumulated surplus	2015 (1 286 479)	2014 -
Current year (increase)/decrease in accumulated surplus	1 212 001	(1 286 479)
Increase/(decrease) in prepayments	-	2 077 325
(Increase)/decrease in accruals	74 478	(790 846)
	-	-

Statement of Financial Performance

Increase/(decrease) in SITA licence expense	2015 (251 739)	2014 (2 077 324)
Increase(decrease) in accrual for overtime	1 463 740	790 846
	1 212 001	(1 286 478)

Current year adjustment

Expense	Debit 3 461 665	Credit -
Accrual	-	(3 387 188)
Accumulated Surplus	-	(74 477)
	3 461 665	(3 461 665)

The prior year error above relate to:



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
25. Prior period error(continued)		
1.Licence fees that were initially recognised in the incorrect period and has now been corrected.		
2.Accrual for overtime for Technical Consultants not recognised previously now recognised.		
Certain comparative figures have been reclassified.		
The effects of the reclassification are as follows:		
Statement of financial position		
Receivables from Exchange Transactions		6 606 249
Receivables from Non-Exchange Transactions		(6 606 249)
		<u>-</u>
Payables from Exchange Transaction		(1 730 582)
Provisions		1 730 582
		<u>-</u>

The prior period error related to a receivables which was initially reported as receivables from non exchange transactions and is now reported as receivables from exchange transaction. The error was due to incorrect classification of the receivables.

Provisions were initially disclosed as payable from exchange transaction and is now reported separately under the heading provisions, to more accurately reflect the nature of the obligation.

26. Contingencies

Contingent liabilities

Claim against the Government Component	1 200 000	-
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This claim relates to a former service provider, contracted to render services at municipality supported by MISA. The matter is not in court yet, but with an arbitrator appointed in terms of the contract, The lawyer representing the said services provider have sent correspondence to MISA indicating that they have withdrawn there services.

Claim on property lease agreement	800 852	-
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This relates to a claim from the property lease agreement in which MISA may be invoiced for an additional deposit

27. Statement of comparative budget and actual information

MISA budget is prepared on an accrual basis which is comparable with the financial statements. The budget mentioned below cover the period 1 April 2015 to 31 March 2016. The budget is prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance.

Revenue	Actual 31 March 2016	Final approved budget 31 March 2016	Difference between final budget and actual
Government Grant and Subsidy	304 012 750	304 012 750	-
Other Income	2 305 264	-	(2 305 264)
	<u>306 318 014</u>	<u>304 012 750</u>	<u>(2 305 264)</u>



Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
27. Statement of comparative budget and actual information (continued)		
Expenses		
Employee costs	54 659 606	66 500 000
Goods and services	232 833 317	237 512 750
Depreciation	7 383 439	-
	294 876 362	304 012 750
		11 840 394
		4 679 433
		(7 383 439)
		9 136 388
Surplus for the year	11 441 652	- (11 441 652)

Explanation of variances between actual and final approved budget

-Other Income

Funds were received for the Bucket Eradication project, which was not budgeted for as the project was envisaged to end in the prior year and other fees from sales of bid documents

-Employee cost

The positive variance is a result of the MISA structure being revised and not yet approved. Only one post of the CFO was approved by the Executive authority to be filled pending finalisation of the structure.

-Goods and Services

The positive variance was due to a delay in the finalising contracts with service providers resulting in the service providers not engaged as initially expected.

-Depreciation

The negative variances is due to the budget for depreciation of R4,1 million erroneously included in goods and services in the ENE and amortisation of the intangible asset not budgeted for as it was initially envisaged that the MIPMIS will not be operational in the current year and therefore amortisation will not apply.





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