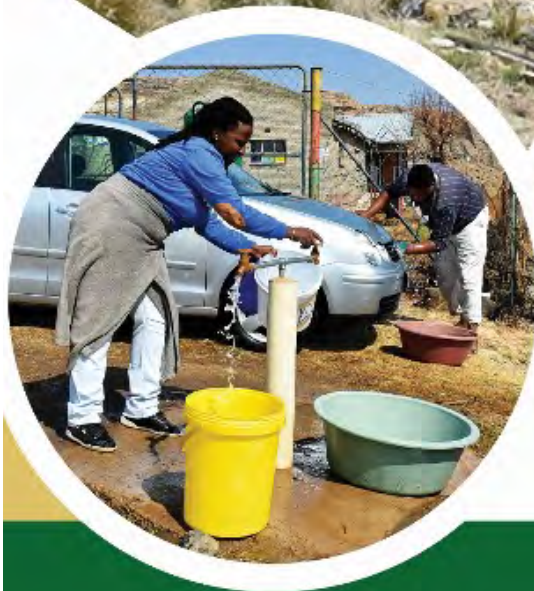


MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)



ANNUAL REPORT 2022/2023 FINANCIAL YEAR



cooperative
governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA





MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

Editorial, coordination, design and layout: MISA Communications

ISBN: **978-0-621-51188-8**

RP: **183/2023**

This report is also available on www.misa.gov.za

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PART A: GENERAL INFORMATION

1. GENERAL INFORMATION FOR MISA

REGISTERED NAME:	MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
REGISTRATION NUMBER:	N/A
PHYSICAL ADDRESS:	1303 HEUWEL AVENUE LETABA HOUSE CENTURION 0157
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TELEPHONE NUMBER:	+27 12 848 5300
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WEBSITE ADDRESS:	www.misa.gov.za
EXTERNAL AUDITORS:	AUDITOR-GENERAL SOUTH AFRICA
BANKERS:	STANDARD BANK
COMPANY/ BOARD SECRETARY	N/A

2. LIST OF ABBREVIATIONS/ ACRONYMS

AC	Audit Committee
AGSA	Auditor-General of South Africa
AoPO	Audit of Predetermined Objectives
APP	Annual Performance Plan
ARPL	Artisans Recognition for Prior Learning
B2B	Back to Basics
B-BBEE	Broad-based Black Economic Empowerment
CAE	Chief Audit Executive
CBE	Council for Build Environment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
DARDLR	Department of Agriculture, Rural Development and Land Reform
DATA4MIA	Data for Municipal Infrastructure Asset
DBSA	Development Bank of Southern Africa
DCOG	Department of Cooperative Governance
DDG	Deputy Director General
DDM	District Development Model
DM	District Municipalities
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DWS	Department of Water and Sanitation
ECSA	Engineering Council of South Africa
ESD	Eastern Seaboard Development
ESD	Enterprise and Supplier Development
EXCO	Executive Committee
FIDPM	Framework for Infrastructure Delivery and Procurement Management

GICTM	Government Information and Communication Technology
GCC	General Conditions of Contracts
GRAP	Generally Recognised Accounting Practice
HRM&D	Human Resources Management and Development
IAA	Infrastructure Assessment and Analysis
ICT	Information Communication Technology
IDMS	Infrastructure Delivery Management System
IDMS	Infrastructure Delivery Management Support Programme
IDMSC	Infrastructure Delivery, Maintenance and Stakeholder Coordination subprogramme
IDPs	Integrated Development Plans
IT	Information Technology
IWM	Integrated Waste Management
JICA	Japan International Cooperation Association
KZN	Kwazulu-Natal
LIC	Labour Intensive Construction
LGSETA	Local Government Sector Training Education and Training Authority
LUMS	Land Use Management Schemes
MANCO	Management Committee
MIG	Municipal Infrastructure Grant
MISA	Municipal Infrastructure Support Agent
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NACH	National Anti-corruption Hotline
NDP	National Development Plan
NDMC	National Disaster Management Centre
NT	National Treasury
OHS	Occupational Health and Safety

OSD	Occupational Specific Dispensation
PAAP	Post Action Audit Plan
PES	Presidential Employment Stimulus programme
PFMA	Public Finance Management Act
PMDS	Performance Management Development System
PME	Planning, Monitoring and Evaluation Committee
PMU	Project Management Unit
PSA	Public Service Act
RSDF	Regional Spatial Development Framework
RMC	Risk Management Committee
RPL	Recognition of Prior Learning
SALGA	South African Local Government Association
SDF	Spatial Development Framework
SDG	Sustainable Development Goals
SCM	Supply Chain Management
SMS	Senior Management Services
SOP's	Standard Operating Procedures
SPLUMA	Spatial Planning and Land Use Management Act
TSS	Technical Support Services programme
TSP	Technical Support Plan
ToC	Theory of Change
TVET	Technical Vocational Education and Training
WC/WDM	Water Conservation or Water Demand Management strategies
WSA's	Water Services Authorities
WSP	Workplace Skills Plan

3. FOREWORD BY THE MINISTER



When the financial year under review started, South Africa together with the rest of the world had just emerged from an unprecedented pandemic in the history of humankind. It had been more than two years since the outbreak of the corona virus that turned the entire world on its head in a manner that severely impacted lives and livelihoods. As is the case with most disasters, COVID-19 impacted the poorer households relatively more severely than other groupings. As we navigated the unfamiliar conditions wrought by the adjustments necessitated by the need to curtail the spread of the virus, our government had to learn new ways of conducting its business to minimise the disruption in the provision of basic services to citizens. As if the COVID-19 pandemic had not caused enough damage to the economy and levels of employment, the world was starting to witness instability caused by geopolitical conflicts that continues to play out in Ukraine.

Together with other key stakeholders such as the Department of Water and Sanitation (DWS), the Development Bank of Southern Africa (DBSA), the Municipal Infrastructure Support Agent (MISA) was at the forefront of initiatives to ensure access to water supply to mitigate the rapid spread of the coronavirus, especially in rural and township communities. This programme entailed mainly the drilling and equipping of boreholes in areas without proper connection to water supply infrastructure. Furthermore, in April 2022, the KwaZulu Natal (KZN) coastal zone, including the greater Durban area and South Coast experienced the most catastrophic flood disaster leading to 459 people losing their lives and scores of people missing to this day. In its wake over 4000 homes were destroyed, 40 000 people were left homeless, and 45 000 people were temporarily left unemployed. The cost of infrastructure and business losses amounted to an estimated R38 billion. This devastating flood disaster occurred while the KZN province was still reeling from the effect of the riots that took place in July 2021 with devastating effects on the province's economy.

In accordance with section 154 of the Constitution that requires national and provincial governments to support and strengthen the capacity of municipalities to perform their functions, MISA deploys professionally registered built environment practitioners, Engineers, and Town Planners, to municipalities to provide technical support. These technical professionals provide support to municipalities throughout the infrastructure assets' product life cycle from inclusion in the Integrated Development Plans (IDPs) to implementation planning, procurement, delivery, operations, maintenance and disposal.

In the year under review, MISA continued to implement a variety of skills programmes to support and strengthen the capacity of municipalities. These programmes are aimed at capacitating the current cohort of municipal officials, whilst building a technical skills pipeline through programmes that are targeted and aimed at unemployed youth. The programmes include Recognition of Prior Learning (RPL) for municipal general workers, technical training courses provided to municipal officials, placement of young graduates, apprentices and experiential learners in municipalities for experiential learning. In the four-year period from 2019/20 to 2022/23, MISA provided 1 059 unemployed youth with technical skills opportunities

through apprenticeships, experiential learnerships and technical bursaries. Over 270 of these opportunities were offered in the 2022/23 financial year. In the coming financial year (2023/24), as we complete the 2019-24 Medium Term Strategic Framework (MTSF), MISA will continue to offer learning opportunities to over 200 unemployed youth.

MISA, through the department of Cooperative Governance, applied for funds from the Presidential Employment Stimulus (PES) programme aimed at addressing the devastating impact of COVID-19 on the economy to an amount of R700 million. An amount of R284 million was approved for MISA to implement the PES programme through the Innovative Solid Waste Management Programme that was piloted in 41 municipalities across the nine (9) provinces. The implementation of this programme commenced in December 2021.

MISA is part of the National Steering Committee for reduction of Non-Revenue Water and this contributes towards the achievement of Sustainable Development Goals (SDG 6). This partnership comprises the DWS, Japan International Cooperation Association (JICA), the Development Bank of Southern Africa (DBSA) and some of the water boards. MISA together with the University of Cape Town (UCT) and South African Local Government Association (SALGA) have developed the DATA for Municipal Infrastructure Asset (DATA4MIA) programme which coordinates credible data acquisition and analysis of municipal infrastructure. Some of the information derived from this programme is utilised for improvement of infrastructure provision in municipalities. In partnership with the Council for Built Environment (CBE), MISA is developing a skills pipeline for professionalisation of municipal personnel and increasing capacity in municipalities.

We have seen that not investing enough in the maintenance of the existing infrastructure will limit its life span thereby demanding reinvestment, frustrating economic development, and compromising the financial viability of municipalities. The Asset Management Practices offer a practical and objective way to resolve this dilemma. In addition, asset management processes are an embodiment of various municipal functions making it the central theme for the execution of local government mandate. It is also clear that our infrastructure requires better maintenance and speedier repairs. To this end, municipalities may now spend up to 10% of their MIG allocations for urgent repairs and refurbishment of water and sanitation infrastructure.

As we confront the complexities around prevailing challenges and weaknesses within the local government sphere that invariably hampers government's efforts to improve people's lives, we are seized with the process of exploring effective measures to enhance the capacity of municipalities to execute their functions as envisioned in the Constitution. Accordingly, we have formulated our plans for the next financial year and beyond to measure our performance on the extent to which our initiatives are yielding desirable outcomes within the sphere. A critical area relevant for MISA is the urgent need to improve the functionality of infrastructure assets for delivery of basic services.

To this end, MISA together with other key role-players will encourage municipalities to exploit the allowance for utilisation of a maximum of 10% of their Municipal Infrastructure Grant (MIG) allocations for infrastructure repairs and refurbishment. This campaign will be accompanied by appropriate support to municipalities lacking the necessary capacity to optimise the use of resources emanating from this initiative. In this regard, the entity's focus will be directed mainly

to 22 municipalities prioritised for support within the context of the District Development Model (DDM) approach. MISA will also play a leading role in supporting municipalities towards the improvement of the MIG expenditure in municipalities targeting overall expenditure of 85% by municipal year end thus expanding access to basic services like water, sanitation, and reliable infrastructure.

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

A handwritten signature in black ink, appearing to read 'PS' followed by a stylized 'imete'.

MS THEMBI NKADIMENG, MP
MINISTER OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

4. DEPUTY MINISTER STATEMENT



Municipalities are at the forefront of government's efforts to provide the right quantity and quality of services to our citizens. Given the role of local government in the service delivery value chain as defined in the country's Constitution, it is only reasonable to expect any weaknesses and unsatisfactory performance in this sphere to have the greatest impact on government's ability to meet the needs and aspirations of communities and stimulate economic growth that is critical to the material wellbeing of all South Africans. Unfortunately, our country is saddled with growing evidence of citizens' dissatisfaction with the ability of municipalities to satisfy their basic needs. Considering the enormity of challenges plaguing the local government sphere, we duly recognise the importance of collaborating with various stakeholders within and without the public sector as we embark on a journey of transforming municipalities into agile institutions for services delivery and economic development. Our endeavours in this regard should be based on proper thoughtful process drawing from insights based on practical experiences from the past and empirical evidence.

We aptly take pride in the massive achievements realised since the dawn of democracy as manifested in the exponential increase in households' access to basics services such as water and sanitation services, electricity supply, waste collection services, roads and storm water, as well as housing. Meanwhile, we are acutely mindful of the multitudes of factors that serve to undermine the performance of municipalities towards the betterment of people's lives. These challenges include but are not limited to financial management weaknesses, corruption, mismanagement, poor governance, and lack of capacity. These challenges have a direct impact on service delivery, making it difficult for municipalities to maintain and upgrade infrastructure and provide essential services such as water, sanitation, and electricity. Additionally, lack of adequate infrastructure in rural areas poses significant constraints to service delivery, especially for black communities.

In light of the current conditions, it is crucial that we rethink and shift our paradigm in relation to supporting local government with the aim to improve service delivery, enhance accountability and transparency, and promote economic development. We are learning from the challenges faced by local government and are rethinking local government and our support to municipalities so that they can deliver on their mandate as they have a vital role in the functioning of local communities and the growth and development of the country.

MISA is well positioned to play a leading role in our programme towards improving the functionality of municipal infrastructure assets through the increased utilisation of 10% of MIG allocations. Equally important is the support to municipalities receiving MIG funds through MISA's technical professionals to improve spending on their allocations to a minimum of 85%. MISA will also play a pivotal role in supporting the National Disaster Management Centre (NDMC) in the implementation of disaster interventions through allocated funding to promote the realisation of desired impacts from the allocated funding.

I duly express my deepest gratitude to Minister Nkadineng, Deputy Minister Burns-Ncamashe, the Director General of Cooperative Governance and Traditional Affairs (COGTA) and Acting Chief Executive Officer of MISA and its management team as well as staff for their enduring support and valuable contribution to the continuing journey of transforming local government for the benefit of all.

A handwritten signature in black ink, appearing to read 'Parks Tau', is positioned above a horizontal line.

PARKS TAU, MP
DEPUTY MINISTER FOR COOPERATIVE GOVERNANCE

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



The Municipal Infrastructure Support Agent's total budget for the 2022/23 financial year was R641 million. This amount includes the surplus amount of R241 million retained from the previous financial year. Total transfer from the National Revenue Fund received through the Cooperative Governance and Traditional Affairs (CoGTA) Vote was R400 million. Additional revenue of about R12.9 million was received. This amount comprises of interest income of R12.8 earned from funds in the bank and grant funding amount of R164 066 received from Local Government Sector Education Training Authority (LGSETA). This brings the total revenue for the financial year excluding retained funds to R413 million. Total expenditure for the year amounted to R572 million, resulting in a deficit in the statement of financial performance of R158 million. The inclusion of retained funds amounting to R241 million, as mentioned above, resulted in an overall surplus of R69 million for the financial year. The recorded spending represents 89% of the total revenue available to the entity for the financial year under review.

Spending on the cost of employees of R196 million accounted for 34% of the total expenditure in the year under review. About R302 million was spent on goods and services, representing 53% of the total spending for the year. Operational expenses amounted to R67 million, which constituted 12% of the total annual expenditure. Spending on employee costs increased from R179 million in the previous financial year to R196 million due to the increase in the number of employees as a result of the recruitment drive to fill vacancies on the revised organisational structure. The accelerated filling of funded vacant positions on the approved organisational structure resulted in the reduction of the vacancy rate to 10%, which is in line with the maximum threshold stipulated by DPSA.

MISA achieved performance targets for 32 of the 35 output indicators in the approved annual performance plan (APP) for 2022/23, which translates into an overall achievement of 91% for the year under review. This performance level is the same as that of the previous financial year. Two of the three output targets not achieved in the financial year under review were under the Technical Support Services (TSS) programme and the remaining one was under the Infrastructure Delivery Management Support (IDMS) programme. The main reasons for not achieving these targets were delays in the finalisation of the recruitment of learners for enrolment into the learning programmes and the unavailability of partners and municipalities selected for support. During the financial year under review the entity did not have any vacancy on the three top management positions and that of Chief Financial Officer. This situation enabled the entity to operate with a high degree of stability. Increasingly low capacity in technical components of municipalities and the legacy of under investment on infrastructure repairs and refurbishment continues to place pressure on the resources of MISA as more municipalities seek assistance from the entity. MISA will continue to explore alternative ways of strengthening its technical capacity to meet the increasing needs and leverage on resources located within other agencies of government through collaborative partnerships.

MISA did not discontinue any planned activities during the financial year under review, and there were no new activities started during the financial year. MISA successfully applied for the retention of unspent funds amounting to R241 million from the 2021/22 budget. This amount is made up of R208 million for the ring-fenced funding for the Presidential Employment Stimulus (PES) initiatives and R33 million for commitments on other projects started in the previous year. Over the past financial years, MISA has made significant strides in addressing deficiencies in supply chain management (SCM) identified during the audits previously conducted by both Internal Audit and the Auditor-General. These improvements were possible following the strengthening of human resource capacity within the SCM unit through the filling of vacancies on the approved structure and complemented by external capacity contracted on a core-sourcing arrangement. Over the same period improvements were made on the overall control environment. As a result of these efforts to improve internal controls, the entity had not incurred irregular expenditure since 2018/19 financial year.

MISA received unqualified audit opinion without material findings for each of the past four financial years. This achievement reflects that the entity has successfully created a sound system of corporate governance and effectiveness of our internal control system. It can also be attributed to the assurance provided to management by assurance providers such as internal audit and the audit committee. All issues raised by the AG in the management report for 2021/22 have been addressed.

In the coming financial year, MISA will strive to optimally utilise its resources in support to the 66 municipalities, in line with the DDM approach, to be prioritised by CoGTA in view of the enormous challenges confronting them as outlined in the state of local government report. The main focus of our support will be to improve the functionality of existing infrastructure and enabling municipalities to appropriately spend their conditional grants allocations to expand access to basic services.

My greatest gratitude goes to the former CEO, Mr. Ntandazo Vimba, for his stewardship for the year under review and members of senior management team for their valuable contribution to the tremendous achievements by the entity and their appreciation of an even tougher task that lies ahead. MISA management is grateful for the astute leadership and support provided by Minister Nkademeng, Deputy Ministers and the Director-General of DCoG without which it would have been extremely difficult to reach our milestones for the year.



MAPATANE KGOMO
ACTING CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
DATE:

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 the National Treasury.

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

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

The accounting officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully



MAPATANE KGOMO
ACTING CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
DATE:

7. STRATEGIC OVERVIEW

7.1 Vision

Leaders in Municipal Infrastructure Support.

7.2 Mission

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

7.3 Values

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

- Integrity
- Collaborative
- Knowledgeable
- Professionalism
- Service Excellence

8. LEGISLATIVE AND OTHER MANDATES

8.1 MISA's Mandate

MISA has been mandated to render technical advice and support to municipalities so that they optimise municipal infrastructure provisioning. MISA is expected to execute this mandate by performing the following functions:

- Supporting municipalities to conduct effective infrastructure planning to achieve sustainable service delivery;
- Supporting and assisting municipalities with the implementation of infrastructure projects as determined by the municipal integrated development plans (IDPs);
- Supporting and assisting municipalities with the operation and maintenance of municipal infrastructure;
- Building the capacity of municipalities to undertake effective planning, delivery, operations and management of municipal infrastructure; and
- Performing any function that may be deemed ancillary to those listed above.

8.2 Constitutional Mandate

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

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

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

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

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

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

DCoG's primary mandate is to:

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

8.3 Legislative Mandate

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

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

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

Name of Legislation	Mandate
	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	To give effect to section 155(6A) of the Constitution by authorising the provincial executives affected to establish cross-boundary

Name of Legislation	Mandate
Municipal Act, 29 of 2000	municipalities; to provide for the re-determination of the boundaries of such municipalities under certain circumstances, and to provide for matters connected therewith.

8.4 Policy Mandate

The National Development Plan (NDP) – Vision 2030

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

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

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

Medium Term Strategic Framework for 2014 – 2019

The MTSF for the period 2014–2019, particularly the chapter on Outcome 9, provides a foundational base for the revised strategic plan of MISA (and COGTA) for 2014–2019 and the 2017/18 Annual Performance Plan (APP). MISA's Strategic Plan for 2014 – 2019 (as amended) and APP for 2017/18 were aligned to CoGTA's strategic plan for the same period. The Department of Cooperative Governance (DCOG) is responsible for leading and coordinating the implementation of Outcome 9, which seeks to build a "*Responsive, accountable, effective and efficient developmental local government system*".

There are five sub-outcomes under Outcome 9, as listed below:

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

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

Sub Outcome 1 strives for “*Members of society to have sustainable and reliable access to basic services*”. MISA contributes to the attainment of this sub-outcome by providing technical support to municipalities to enable them to properly plan for, deliver, operate and maintain infrastructure projects aimed at expanding or maintaining access by households to basic services such as water and sanitation, electricity, waste collection and roads and storm water. This support was directed largely to municipalities within the 27 districts identified by Cabinet in 2011 as priority focus areas owing to their relatively high level of service backlogs.

The Local Government Back to Basics Strategy

The Minister of COGTA, in the COGTA Budget Vote delivered after the 2014 General Elections, set out the Back to Basics (B2B) approach, which was subsequently presented at the Presidential Local Government Summit in September 2014 and widely endorsed by all local government stakeholders.

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

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

- Build and maintain sound institutional and administrative capabilities, administered and managed by dedicated and skilled personnel at all levels.

The methodology to operationalise the B2B approach was based on a more integrated and hands-on approach to cooperative governance intended to reassert the unitary nature of the South African state. This involves measuring and managing the performance of municipalities (through ‘institutional performance management’) and recognising and responding differently to different levels of performance (a ‘differentiated approach’). CoGTA is responsible for mobilising a coalition of stakeholders around the B2B approach to unlock the creative energies across all spheres of government and sectors of society, including the private sector. Part of this ‘unlocking’ valuable contribution by key players involves putting tools directly in the hands of citizens to hold their municipalities to account.

Relevant Court Rulings

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

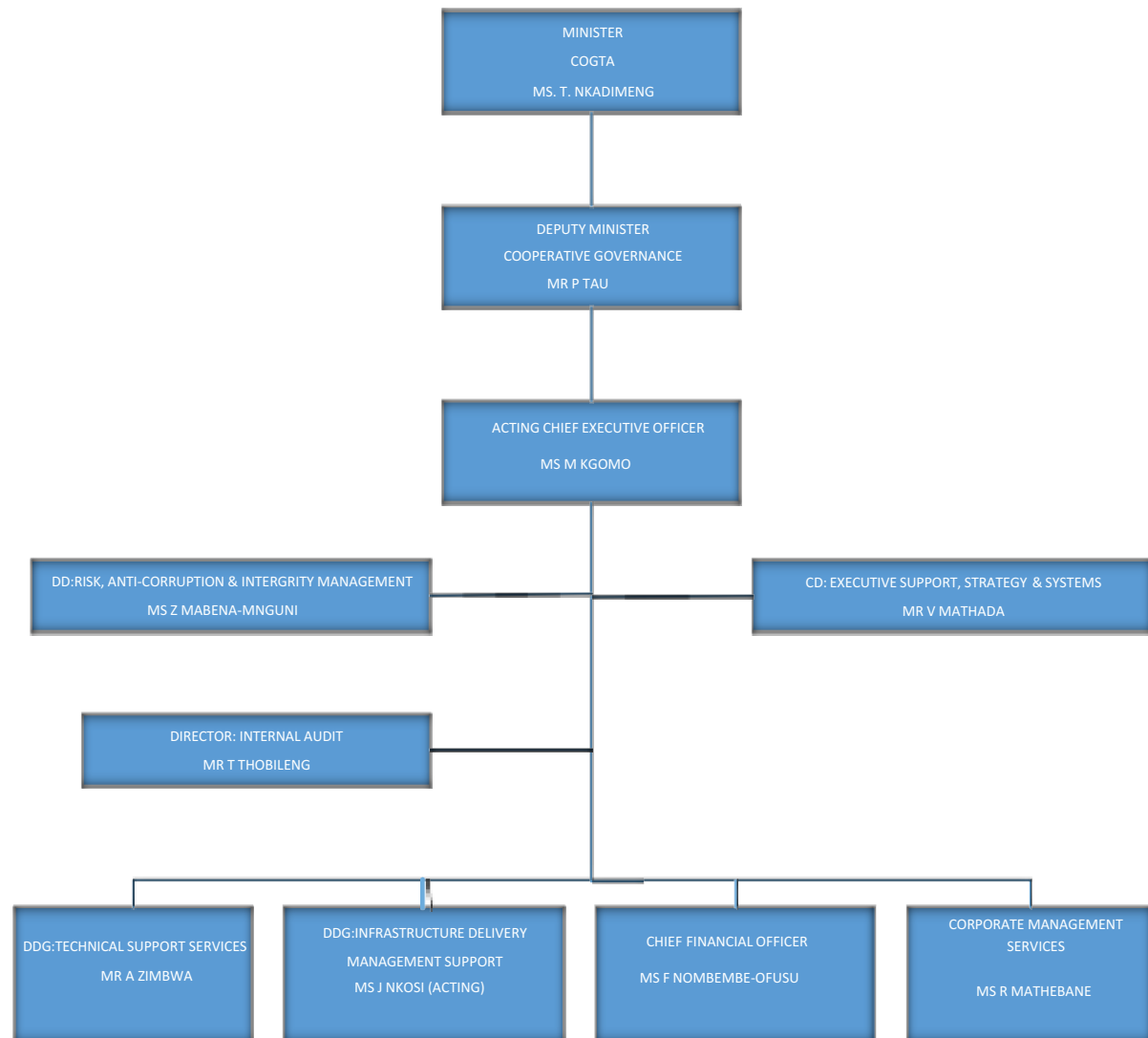
Policy Initiatives

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

9. ORGANISATIONAL STRUCTURE

At the beginning of the 2017/18 financial year, the Department of Public Service and Administration granted concurrence to the approved structure for MISA. Upon obtaining this concurrence, MISA management embarked on the filling of vacancies on the revised structure to strengthen organisational capacity. In implementing the new structure, management prioritised the filling of technical positions and other critical positions under the support functions. Significant strides have been made in the appointment of engineers and other technical professionals on a permanent basis, in line with the Occupation Specific Dispensation (OSD) within the public service. This achievement has enabled the organisation to progressively reduce its reliance on consultants for performing its core function of providing technical capacity support to municipalities. The approved structure is presented below.

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



PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page XXXX of the Report of the Auditors Report, published as **Part F: Financial Information**.

2. OVERVIEW OF PERFORMANCE

2.1. Service Delivery Environment

MISA was entrusted with the responsibility to contribute to the implementation of Presidential Employment Stimulus (PES) programme, which is a response to the devastating economic impact of the COVID-19 pandemic on jobs and livelihoods. Using direct public investment, the PES supports job creation, job protection and livelihood support programmes as part of a wider economic recovery progress. MISA's contribution in this regard was through the rollout of the innovative waste management programme for which a ring-fenced amount of R284 million was allocated by National Treasury and the labour-intensive construction (LIC) methods mainstreaming programme. The innovative solid waste management programmes created 15 681 short-term jobs and supported the establishment of 141 SMMEs. Support on the LIC programme, which seeks to enable municipalities to maximise the use of LIC methods in infrastructure projects' implementation without compromising quality, was extended to 25 municipalities. The programme has created 19 324 jobs since the implementation of MIG projects it supported.

MISA's capacity building focused on creating jobs through the recruitment and placement of unemployed youths to build a new cohort of technical experts for infrastructure management. In the four-year period from 2019/20 to 2022/23, MISA provided 1 059 unemployed youth with technical skills opportunities in the form of apprenticeships (438), experiential learnerships (214) and technical bursaries (407). Additionally, the entity offers training opportunities to municipal officials. In the period 2019/20 to 2022/23, MISA provided technical skills training opportunities to more than 2 100 municipal officials who are working in technical departments and are responsible for infrastructure planning, delivery, operation, and maintenance. The officials were supported through technical training courses and the recognition of prior learning programmes. Over 500 municipal officials are to benefit from these programmes in the new financial year.

As part of the support to municipalities, MISA implemented groundwater interventions to enhance capacity of water supply in municipalities as well as implementing sanitation provision projects to provide dignity to communities on request by low and medium capacity municipalities. MISA completed 118 boreholes and water and waste-water treatment plants in various municipalities around the country within the 2019/20 to 2021/22 financial years and

benefiting over 24 000 households. Within the 2022/23 financial year, 39 borehole projects were completed.

The Eastern Seaboard Development (ESD) is a key flagship programme that MISA spearheaded during the year under review after being appointed as an implementing agent by DCoG. During the year under review, the Eastern Seaboard Development area was gazetted as a region by the Minister of Agriculture, Rural Development and Land Reform (DARDLR). Following the gazettement of the ESD region, the Regional Spatial Development Framework (RSDF) was developed and published for public comment. An overwhelming response was received from the public, businesses, and other interested parties, in the ESD programme.

One of the challenges experienced by MISA in the execution of its mandate is the persistence of underspending by certain municipalities of their MIG allocations. Working with our provincial counterparts, we continue to support municipalities during the pre-implementation and implementation phases of MIG projects by guiding them to meet the MIG Programme. More efforts in this regard are directed at 39 municipalities considered to be perennial under performers with a record of spending less than 70% for a prolonged continuous period.

Another major challenge is that most municipalities are not investing enough in the maintenance of existing infrastructure with adverse impact economic development and compromising the financial viability of municipalities. To enhance the capacity of municipalities to deal with the rising infrastructure repairs and maintenance backlogs, an allowance has been provided in the MIG conditions for municipalities to utilise up to 10% of their allocations on infrastructure repairs and refurbishment. This challenge can be sustainably addressed only through the development of asset management planning and practices within municipalities. Municipalities are also allowed to draw on their MIG allocations to finance the development of infrastructure asset management plans to allow municipalities to better manage the condition and demand of their infrastructure.

2.2. Organisational environment

During the year under review the three top management positions in the entity remained filled. These include the position of Chief Executive Officer (CEO) and two Deputy Directors-General (DDGs) positions. The Chief Executive Officer was, however, released from his contract position with effect from 27 March 2023 with three months remaining on his five-year contract. Following the departure of the CEO, the Executive Authority appointed one of the DDGs to assume the role of the CEO in an acting capacity until the position is filled.

The entity managed to keep the vacancy rate as measured against the funded positions on the approved organisational structure at the maximum threshold of 10% (190 filled positions out of 210) during the financial year under review. The vacancy rate among the technical staff critical for the rollout of technical support programmes was even lower at 7% with 78 of 84 positions filled as at the financial year end. This was achieved through the reduction of the turnover rates among technical staff, which is attributable to the development and implementation of the Talent Management and Retention strategy. As at the end of the financial year, women represent 49% of senior management services (SMS) level.

2.3. Key policy developments and legislative changes

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

2.4 MISA Progress towards Achievement of Institutional Impacts and Outcomes

2.4.1 MISA Impact Statement and Outcomes

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

MTSF Priority	Outcome	Outcome Indicator	Five-year Target
A capable, ethical and developmental state	Improved governance, administrative support system and ethical practices.	Maintenance of unqualified audit opinion annually	Unqualified audit opinion for each year until 2024
		Reduction of wasteful, fruitless and irregular expenditure to zero	Zero fruitless, wasteful and irregular expenditure
Economic transformation and job creation	Effective water management system for the benefit of all	Stabilising Non-Revenue Water in selected Municipalities	5% decrease in Non-Revenue Water in selected municipalities
	Efficiency in infrastructure management	Increased percentage of operational expenditure spent on Operations and Maintenance in districts	8% of operational expenditure spent on Operations and Maintenance in all 44 Districts
		Increase in the percentage expenditure on MIG	90% of MIG receiving municipalities spending at least 90% of MIG
		Increase in the number of municipalities accessing alternative funding sources for infrastructure development	44 districts accessing alternative funding sources for infrastructure development
		Increase in municipal technical capacity	44 districts with technical capacity support
	Long term municipal infrastructure investment	Increase in the number of districts implementing long term infrastructure investment plans	44 Districts implementing Long-term Infrastructure Investment Plans
	Enhanced intergovernmental and inter-departmental coordination through the implementation of the District Development Model	Improved coordination of municipal infrastructure programmes and projects attained through the development of the infrastructure component of District One Plan	Infrastructure component of One Plan developed in all 44 Districts

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

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

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

MISA has continued to provide support to the 44 district Municipalities to have access to sustainable services through strengthening of municipalities' capacity that provides reliable municipal infrastructure in a manner that creates jobs for local communities and contributes to economic growth. Support to each of these municipalities was set out in the technical support plan (TSP) and supported by Memoranda of Understanding (MOU) developed jointly by MISA Provincial teams with the respective Municipalities. Although technical support provided by MISA has enabled municipalities to undertake activities relating to planning, infrastructure development and maintenance, most municipalities continue to experience a disruption in services like the provisioning of non-revenue water and MISA through the development and implementation of water conservation and water demand plans has managed in the past year to improve water management systems for the benefit of all in the Communities.

15 Selected districts have been identified for support on operations and maintenance activities to reduce the 8% target in our five-year strategic plan, in addition to improving their infrastructure asset management practices. MISA has consistently supported municipalities to achieve 90% of their expenditure in the previous financial year. MISA has developed 30 Spatial Planning and Land Use Management Act (SPLUMA) compliant plans (Land Use Management Schemes (LUMS), Spatial Development Frameworks (SDF's), Integrated Development Plans (IDP's), etc.) across 20 districts. 20 District municipalities were identified and supported with the development and/or implementation of Water Conservation or Water Demand Management (WC/WDM) strategies, with a further 15 districts supported with the implementation of Integrated Waste Management (IWM) services. MISA also identified 15 districts to develop electricity strategies and implementation of these strategies that assisted in improving capacity to deliver access to electricity services. MISA further supported 5 Water Services Authorities (WSA's) with the integration and prioritization of strategies for alignment of bulk and reticulation projects in municipal IDPs.

All of these above programmes have contributed towards the reduction of backlogs and improved service delivery.

Assessment on infrastructure condition and municipal capacity in 10 districts was undertaken to assess the functionality of water and sanitation infrastructure including capacity to maintain infrastructure assets and implement infrastructure projects within these municipalities. Areas where municipalities need to improve on functionality and general performance of water and sanitation infrastructure as well human capacity were identified. These assessments contributed towards the number of districts supported to improve capacity to deliver infrastructure to increase access to water and sanitation services. The next step in the new financial year would involve further interaction with municipalities to advise on areas of improvement recommending alternative technologies where required.

Initiatives undertaken in the 2022/23 financial year to improve efficiency in infrastructure management, through increased municipal technical capacity in 44 Districts, include the following:

- MISA contributed towards creating a technical skills pipeline in municipalities through the placement of 318 youth (learners and candidates) in host municipalities across the country.
- A total of 510 municipal officials, from 42 Districts and 8 Metros, attended MISA facilitated technical skills training courses in areas such as:
 - o Road Construction, Maintenance & Rehabilitation;
 - o General Conditions of contracts (GCC) 2015;
 - o Estimating, Costing and Pricing of Construction;
 - o Advanced Water Treatment Processes;
 - o SPLUMA Guidelines for Special Development Framework;
 - o Fundamentals of Procurement & Tendering;
 - o Pressure pipeline and pump station design and specifications; and
 - o Development of asset management plans.
- 105 municipal general workers, from 8 Districts, were enrolled in the MISA Recognition of Prior Learning (RPL) Programme to enhance their technical skills and work towards obtaining formal qualifications.

During the 2022/23 financial year seven (7) local municipalities (spread across 7 district municipalities) were supported to implement the long-term infrastructure investment plans and seven (7) municipalities (spread across 6 district municipalities) were supported with the accessing of alternative funding sources. Seven (7) municipalities (spread across 6 district municipalities) were supported on climate change mitigation and adaption funding. Over the next outer years of the Medium-Term Expenditure Framework (MTEF), the Infrastructure Financing (IF) subprogramme will focus on supporting 20 district and metro spaces with identified infrastructure related interventions. The Infrastructure Financing Subprogramme will also continue to collaborate with the financiers and other relevant stakeholders (SALGA, National Treasury, etc.) to increase infrastructure investments for the identified dysfunctional municipalities.

Over the MTEF period, MISA will focus on supporting the 52 districts/metros in implementing innovative procurement mechanisms. The programme also provides municipalities with alternative procurement strategies through the use of framework contracts to improve infrastructure procurement efficiencies and shorten procurement periods. Ten (10) municipalities were supported with the implementation of IDMS whilst fourteen (14) municipalities were supported with the enhancement of infrastructure procurement practices to improve capacity to deliver infrastructure and increase access to water services for both local and district municipalities supported over five years. A further twenty (20) municipalities were supported to rollout the Local Government Framework for Infrastructure Delivery and Procurement Management (FIDPM).

MISA started reviewing its long-term strategy during the year under review. This process culminated in the development of a Theory of Change (ToC) framework for the organisation, as well as making amendments to our approved Strategic Plan 2020 – 2025. These amendments were included in our approved Annual Performance Plan 2023/24 as an annexure, with the implementation date of these amendments to the Strategic Plan being 01 April 2023.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1. Programme 1: ADMINISTRATION

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

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

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

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

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

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

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

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

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

3.1.2 Sub-programme: Corporate Management Services

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

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

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

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

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

3.1.3 Sub-programme: Financial Management Services

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

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

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

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

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

3.1.4 Programme Institutional Outcome(s) contribution

The programme contributes to the following outcome(s):

- Improved governance, administrative support system and ethical practices.

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

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
Improved governance, administrative support system and ethical practices.	Approved communication strategy implemented.	Number of reports on the implementation of the approved communication strategy.	Approved communication strategy implemented.	Four (4) quarterly reports on the approved communication strategy.	4 Quarterly reports on the implementation of the approved communication strategy.	Achieved 4 Quarterly reports on the approved communication strategy implemented.	N/A	N/A
	Approved risk management plan implemented	Number of reports on the implementation of the approved risk management plan.	Annual risk management plan implemented	Four (4) quarterly reports on the risk management plan.	4 Quarterly reports on the implementation of the approved risk management plan	Achieved 4 Quarterly reports on the approved risk management plan implemented.	N/A	N/A
	Approved internal audit plan implemented	Number of reports on the implementation of the approved internal audit plan	Annual internal audit plan implemented	Four (4) quarterly reports on the internal audit plan.	4 Quarterly reports on the implementation of the approved internal audit plan.	Achieved 4 Quarterly reports on the approved internal audit plan implemented.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Approved ICT Operational Plan implemented	Number of reports on the implementation of the approved ICT operational plan.	Approved ICT operational plan implemented.	4 Quarterly reports on the implementation of the approved ICT operational plan.	4 Quarterly reports on the implementation of the approved ICT operational plan.	Achieved 4 Quarterly reports on the approved ICT operational plan implemented.	N/A	N/A
	Unqualified audit opinion on annual financial statements	Achieve unqualified audit opinion on annual financial statements.	Achieve unqualified audit opinion On annual financial statements 2019/20.	Unqualified audit opinion without material findings (clean audit) on annual financial statements for the 2020/21 financial year.	Achieve unqualified audit opinion on annual financial statements 2021/22.	Achieved Unqualified audit opinion without material findings (clean audit) on annual financial statements for the 2021/22 financial year.	N/A	N/A
	Approved procurement plan implemented	Number of reports on the implementation of the approved procurement plan.	Approved procurement plan implemented.	Four (4) quarterly reports on the approved	4 Quarterly reports on the implementation of the approved procurement plan.	Achieved 4 Quarterly reports on the approved	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
				procurement plan.		procurement plan implemented.		

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement Narrative

Key achievement for this programme is MISA receiving an unqualified audit opinion without material findings (clean audit) for the fourth consecutive year during the 2022/23 financial year.

MISA, as a designated employer, has developed its own employment equity plan for the period 1 April 2021 until 31 March 2024 which sets the target for the institution to attain the goals set by Cabinet by 31 March 2024. MISA has embarked on a drive to respond to the requirements of Broad-Based Black Economic Empowerment (BBB-EE) Act with an aim to promote increased participation of emerging enterprises in MISA's procurement activities. This will be done through identification and assessment of minor contract opportunities, promotion of partnerships between MISA and the private sector, skills transfer, training and accessibility to the processes of procurement through the implementation of the Emerging Enterprises and Supplier Development Support Programme of MISA.

MISA has an approved Enterprises and Supplier Development (ESD) policy for implementation in the 2023/24 financial year, with the objectives of this policy to:

- promote increased participation by and opportunities for emerging enterprises in MISA's Procurement processes;
- promote *broad-based black economic empowerment* in emerging enterprises;
- identify and assess minor contract opportunities within the *MISA* for the development and support of emerging enterprises;
- identify opportunities where minor contracts may be awarded to emerging enterprises;
- identify and align minor contracts with the development and support programmes for emerging enterprises in the *MISA*
- promote partnerships between the *MISA* and the private sector in respect of the development and support of emerging enterprises;
- promote skills transfer, training and accessibility to the processes of procurement through the implementation of the Emerging Enterprises Development and Support Programme of the *MISA*; and
- promote *monitoring* and evaluation of the identification and development of emerging enterprises.
- document a clear plan of BBEE compliance targeting by MISA and
- monitor the implementation of development plans and periodically track progress of compliance targeting.

Linking Performance with Budget

Programme	2022/23			2021/22		
	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	86 736	84 697	2 039	92 735	91 714	1 021

The level of spending over the entire financial year for the programme stood at 98% as at 31 March 2023. COE accounted for 54% of the spending, which amounted to R45 376. The balance was spent on goods and services, with this spending contributing to the achievement of all the targets under the programme for the 2022/23 financial year.

Strategy to Overcome Areas of Under Performance

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

3.2 PROGRAMME 2: TECHNICAL SUPPORT SERVICES

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

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

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

The Programme consists of the following sub-programmes:

3.2.1 Sub-programme: Infrastructure Assessment and Analysis

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

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

The sub-programme provides technical support to municipalities based on the needs identified during the assessment and analysis stage. It also provides support to municipalities in relation

to planning for land use management and spatial development frameworks. Furthermore, the IDMSC is responsible for coordinating other role-players such as sector departments, state-owned companies and provincial government towards the integrated delivery of municipal infrastructure.

3.2.3 Sub-programme: Technical Skills

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

3.2.4 Programme Institutional Outcome(s) contribution

The programme contributes to the following outcomes:

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

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

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
Effective water management system for the Benefit of all	Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented.	Number of Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented.	10 Districts supported with development or implementation of WC/WDM strategies.	10 Municipal Water Conservation or Water Demand Management (WC/WDM) strategies implemented.	20	Achieved 20 Municipal water conservation or water demand management (WC/WDM) strategies implemented.	N/A	N/A
Efficiency in infrastructure management	Alignment of bulk water infrastructure and reticulation in priority WSA's.	Number of WSA's supported with integration and prioritization of strategies for alignment of bulk and reticulation projects in municipal IDPs.	N/A	N/A	5	Achieved 5 WSA's supported with integration and prioritization of strategies for alignment of bulk and reticulation projects in municipal IDPs.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Municipalities supported with enhancement of job creation through implementation of labour-intensive infrastructure projects.	Number of municipalities supported with mainstreaming Labour Intensity Construction Methods in the projects implemented through conditional grants	Progress report (Business Case approval, consultation with stakeholders, etc.) developed.	15 municipalities supported with mainstreaming Labour Intensity Construction Methods in the projects implemented through conditional grants.	25	Achieved 25 municipalities supported with mainstreaming Labour Intensity Construction Methods in the projects implemented through conditional grants.	N/A	N/A
	Improvement in municipal infrastructure asset management practices	Number of municipalities supported to improve infrastructure asset management practices and O&M processes.	N/A	8 districts supported to improve infrastructure asset management practices and O&M processes.	15	Achieved 15 municipalities supported to improve infrastructure asset management practices and O&M processes.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Districts supported to improve performance on MIG Programme	Number of districts supported to improve performance on MIG Programme and reduce infrastructure backlog.	44	44 districts supported to improve performance on MIG Programme and reduce infrastructure backlog.	44	Achieved 44 districts supported to improve performance on MIG Programme and reduce infrastructure backlogs.	N/A	N/A
	Youth enrolled in the MISA Apprenticeship Programme	Number of youth enrolled in the MISA Apprenticeship Programme	104 Apprentices enrolled into the programme.	100 Apprentices enrolled into the programme.	100	Achieved 100 Apprentices Enrolled into the MISA Apprenticeship Programme.	N/A	N/A
	Youth enrolled in the MISA Experiential Learning Programme	Number of youth enrolled in the MISA Experiential Learnership Programme	30 Experiential Learners enrolled in the Programme.	39 Experiential Learners enrolled in the Programme.	70	Achieved 70 youth enrolled in the MISA Experiential Learnership Programme.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Youth enrolled in the MISA Young Graduate Programme	Number of Youth enrolled in the MISA Young Graduate Programme	114 Young Graduates enrolled in the programme.	143 Candidates enrolled into MISA Young Graduates programme.	150	Not Achieved A total of 148 youths enrolled in the MISA young graduate programme during the 2022/23 FY.	-2	Due to other work commitments two youth started in April 2023 and not in March 2023 as envisaged.
	Youth awarded MISA bursaries to study towards technical qualifications relevant to local government infrastructure management.	Number of youth awarded MISA Bursaries in technical qualifications relevant to local government infrastructure management	75 students awarded with bursaries.	100 students awarded with bursaries.	100	Achieved 100 Youth awarded MISA bursaries in technical qualifications relevant to local government infrastructure management.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Municipal officials trained in municipal infrastructure management	Number of municipal officials trained in municipal infrastructure management .	482 Municipal officials trained in municipal infrastructure management.	519 Municipal officials trained in municipal infrastructure management.	500	Achieved 510 municipal officials trained in municipal infrastructure management.	+10	Additional 10 Municipal officials were trained due to demand and strategy to mitigate for possible late withdrawals.
	Municipal officials capacitated through recognition of prior learning programmes.	Number of municipal officials enrolled in MISA Recognition of Prior Learning (RPL) programmes.	123 municipal officials enrolled into the programme.	57 municipal officials enrolled in the MISA ARPL programme.	100	Achieved 105 municipal officials enrolled in MISA's Recognition of Prior Learning programmes.	+05	Additional 5 municipal officials were enrolled to mitigate possible withdrawals.
Enhanced intergovernmental and interdepartmental coordination through the implement	Districts supported with the implementation of integrated infrastructure plans through DDM	Number of districts supported with the implementation of integrated infrastructure plans through DDM	23 Districts supported with implemented district-wide infrastructure plans.	44 districts supported with the implementation of integrated infrastructure plans through DDM.	44	Achieved 44 districts supported the implementation of integrated infrastructure	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
ation of the District Developm ent Model						plans through DDM.		
A spatially just and transforme d national space economy that enables equal access to social services and economic opportuniti es in cities, regions and rural areas.	SPLUMA compliant municipal spatial plans, policies, structures and systems reviewed.	Number of SPLUMA Compliant municipal spatial plans, policies, structures and systems reviewed	30 Districts supported with implementation of SPLUMA Compliant municipal spatial plans, SDF's and land-use schemes.	30 SPLUMA Compliant municipal spatial plans, policies, structures and systems reviewed.	30	Achieved 30 SPLUMA-compliant municipal spatial plans, policies, structure, and systems reviewed.	N/A	N/A
Improved municipal capacity to deliver	Districts supported to implement Solid	Number of districts supported to implement Solid	10 districts supported to implement Solid Waste/Integrate d Waste	10 districts supported to implement Solid Waste/Integrate d Waste	15	Achieved 15 districts supported to	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
basic services, quality infrastructure and integrated public transport to increase household access to basic services	Waste/Integrated Waste Management (IWM) services	Waste/Integrated Waste Management (IWM) services (Conditions)	Management (IWM) services (Conditions)	Management (IWM) services (Conditions)		implement Solid Waste/Integrated Waste Management (IWM) services.		
	Districts supported to improve capacity and access to electricity services with implementation of a performance monitoring strategy and electricity supply management strategies.	Number of districts supported to improve capacity and access to electricity services with implementation of a performance monitoring strategy and electricity supply management strategies	8 Districts supported with implementation of a performance monitoring strategy and electricity supply management strategies	10 Districts supported with implementation of a performance monitoring strategy and electricity supply management strategies	15	Achieved 15 districts supported to improve capacity and access to electricity services with implementation of a performance monitoring strategy and electricity supply management strategies.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Districts with technical capacity assessment undertaken	Number of Districts where technical capacity assessment undertaken	N/A	N/A	10	Achieved Ten (10) district technical capacity assessments were undertaken.	N/A	N/A
	Partnerships established with professional bodies towards best practice on infrastructure related research and development.	Number of partnerships established with professional bodies towards best Practice on infrastructure management and promotion of infrastructure related research and development.	N/A	N/A	2	Achieved Two (2) strategic partnerships were entered into with ECSA and WITS university on the 30th January 2023 and the later on the 25th January 2023.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
	Provinces with infrastructure master plans developed.	Number of provincial infrastructure master plans undertaken.	N/A	N/A	1	Not Achieved Assessment of the provincial infrastructure master plan was not undertaken.	-1	Due to budget constraints, the project had to be withdrawn from the procurement plan.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement Narrative

Key achievements for this programme were the establishment of two partnerships with the Engineering Council of South Africa (ECSA) and WITS University towards best practice on infrastructure management and promotion of infrastructure related research and development. 20 District municipalities were identified and supported with the development and/or implementation of Water Conservation or Water Demand Management (WC/WDM) strategies, with a further 15 districts supported with the implementation of Integrated Waste Management (IWM) services. MISA also identified 15 districts to develop electricity strategies and implementation of these strategies that assisted in improving capacity to deliver access to electricity services. MISA further supported 5 Water Services Authority (WSA's) with the integration and prioritization of strategies for alignment of bulk and reticulation projects in municipal IDPs.

MISA contribution towards women, youth and people with disabilities was through its technical skills training programme, with a total of 1 033 officials, learners and candidates being trained, of which 40% of these were females (417) and 60% were males (616), with 318 (31%) being youth.

Linking Performance with Budget

Programme	2022/23			2021/22		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
TSS	321 293	320 224	1 069	272 113	267 104	5 009

The level of spending over the entire financial year for the programme stood at 99% as at 31 March 2023. COE accounted for 43% (R138,5m) of the actual expenditure, with the balance of R181,7m going towards goods and services. The high spending level allowed the programme to achieve 16 out of their 18 targets, giving the programme an achievement level of 89% against their performance targets.

Strategy to Overcome Areas of Under Performance

Recruitment of learners to commence earlier in the financial year to overcome the challenges of delays in the recruitment processes. The entity has also configured its planning process to ensure alignment between the annual performance targets and budget allocations.

3.3 PROGRAMME 3: INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT

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

Programme Overview: The programme's objective is to deliver infrastructure projects on behalf of identified municipalities and provide infrastructure financing, procurement and

contract management guidance and advice to municipalities. It will focus on the development of institutional capacity of municipalities to procure and contract manage infrastructure projects efficiently and effectively. Through the Programme, MISA should be able to put in place national framework contracts for municipal infrastructure goods and services.

The Programme consists of the following sub-programmes:

3.3.1 Sub-programme: Project Management

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

3.3.2 Sub-programme: Framework Contracts and Infrastructure Procurement

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

3.3.3 Sub-programme: Infrastructure Financing

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

3.3.4 Programme Institutional Outcome(s) contribution

The programme contributes to the following outcomes:

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

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

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
Efficiency in infrastructure management	Municipalities supported with the rolling out of Infrastructure Delivery Management System (IDMS), Framework for Infrastructure Delivery and Procurement Management enhancement of infrastructure procurement practices	Number of municipalities supported With the rolling out of Infrastructure Delivery Management System (IDMS).	5 districts supported with the implementation Infrastructure Delivery Management System (IDMS).	8 municipalities were the implementation Infrastructure Delivery Management System (IDMS).	10	Achieved 10 municipalities supported with the Rolling out of Infrastructure Delivery Management System (IDMS).	N/A	N/A
		Number of municipalities supported with the rolling out of Local Government Framework for Infrastructure Delivery and Procurement	N/A	N/A	20	Achieved 20 municipalities supported with the rolling out of Local Government Framework for Infrastructure Delivery and Procurement Management (FIDPM)	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
		Management (FIDPM)						
		Number of municipalities supported with the enhancement of procurement practices	17 districts supported with the utilisation of the framework contracts.	13 municipalities supported the utilisation of the framework contracts.	9	Achieved 14 municipalities supported with the enhancement of procurement practices.	+5	The additional municipalities were supported because of the findings raised by AGSA in their respective audit reports, with repeat disclaimer findings, financial health and spending concerns having been raised.
	Annual report on the state of municipal functionality for infrastructure delivery	Number of annual reports development on state of municipal functionality for	N/A	Report on the state of municipal functionality for infrastructure delivery using input of the Municipal Infrastructure	1	Achieved Annual report on the state of municipal functionality for infrastructure delivery has been	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
		infrastructure delivery		Service Delivery Functionality Model (A validation study) completed for 254 municipalities across all provinces as part of a research project.		Developed and approved.		
	Strategic partnerships with other entities established to enhance municipal infrastructure development efficiency.	Number of municipalities supported to improve infrastructure development through partnerships with public, private sector and non-	N/A	Annual Report focusing on 10 municipalities supported to improve infrastructure development through partnerships with public, Private sector And non-	10	Not Achieved No direct support was provided to the municipalities as this support is reliant on building strategic partnerships, which requires time to define the scope of intervention and the municipality readiness to	-10	Direct intervention to municipalities was interrupted by various issues, including availability of strategic partners and municipalities' resulting in support interventions to municipalities being postponed.

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
		governmental entities.		governmental entities.		receive the support intervention.		
Long term municipal infrastructure investment	Support the coordination and planning of the Eastern Seaboard Development	Number of annual reports on the coordination and planning of the Eastern Seaboard Development	N/A	N/A	1	Achieved Annual report developed on the coordination and planning of the Eastern Seaboard Development.	N/A	N/A
	One Coastal City Plan by March 2023	Number of plans developed for a new Coastal City	N/A	N/A	1	Achieved Draft regional spatial development framework (RSDF) developed for the new coastal city. The RSDF has been gazetted for public comments.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
Long term municipal infrastructure investment	Long-term infrastructure investment plans implemented by municipalities	Number of municipalities supported with implementation of long-term infrastructure investment plans through DDM	Engagements held with 5 municipalities, but no plans were developed for the identified municipalities.	Consultations on implementation of long-term infrastructure investment plans conducted with 7 municipalities through the PSP model.	7	Achieved 7 municipalities supported with implementation of long-term infrastructure investment plans through DDM.	N/A	N/A
	Municipalities supported to access infrastructure funding through alternative and innovative funding mechanisms and crowding in of the private sector participation.	Number of municipalities supported to access alternative and innovative funding mechanisms for infrastructure	14 municipalities supported to access private sector funding to implement infrastructure projects through the PSP model.	7 municipalities supported to access alternative and innovative funding for infrastructure development.	7	Achieved 7 municipalities supported to access alternative and innovative funding mechanisms for infrastructure development through DDM	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
		development through DDM						
	Municipalities are supported and capacitated to prepare and package bankable projects.	Number of municipalities supported to prepare and package bankable projects.	N/A	N/A	7	Achieved 7 municipalities supported to prepare and package bankable projects.	N/A	N/A
Increased access to climate change mitigation and adaptation funds by municipalities	Improved access to funding for financing climate change mitigation and adaptation projects/activities.	Number of municipalities supported to plan and implement climate friendly projects through infrastructure grants and access funding for climate	Engagements held with the 5 municipalities, but no funding agreements have been signed between municipalities and the identified funders.	5 municipalities supported to plan and implement climate friendly projects. MISA and DBSA were requested to present the PSP model to the strategic sessions of the municipality to bring new	7	Achieved 7 municipalities supported to plan and implement climate friendly projects through infrastructure grants and access funding for climate change mitigation and adaptation projects.	N/A	N/A

Outcome	Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement for 2022/23	Reasons for deviations
		change mitigation and adaptation projects		management team up to speed with the PSP concept.				

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement Narrative

Key achievements for this programme during the 2022/23 financial year is seven (7) local municipalities (spread across 7 district municipalities) were supported to implement the long-term infrastructure investment plans; seven (7) municipalities (spread across 6 district municipalities) were supported with the accessing of alternative funding sources; seven (7) municipalities (spread across 6 district municipalities) were supported on climate change mitigation and adaption funding. Ten (10) municipalities were supported with the implementation of IDMS whilst fourteen (14) municipalities were supported with the enhancement of infrastructure procurement practices to improve capacity to deliver infrastructure to increase access to water services for both local and districts supported over five years. MISA also supported a further twenty (20) municipalities on the rolling out of the Local Government Framework for Infrastructure Delivery and Procurement Management (FIDPM).

Another key achievement for this programme was coordinating the planning of the Eastern Seaboard Development, which culminated into the drafting of the Regional Spatial Development Framework (RSDF). The RSDF was gazetted in the fourth quarter of the financial year for public comments.

Linking Performance with Budgets

Programme	2022/23			2021/22		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
IDMS	232 773	171 194	61 579	314 023	89 734	224 288

The level of spending over the entire financial year for the programme stood at 74% as at 31 March 2023, with 8% (R13 291m) going towards COE.

Strategy to Overcome Areas of Under Performance

In instances where municipalities and other stakeholders are unavailable for engagements necessary to enable the implementation of projects or programmes linked to the APP output indicators, MISA officials will escalate the matter to top management or the Executive Authority if necessary.

4 REVENUE COLLECTION

Sources of revenue	2022/2023			2021/2022		
	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
LGSETA Grant for Apprenticeship Programme	-	164	(164)	-	700	(700)
Interest Received	-	12 766	(12 766)	-	8 685	(8 685)
Total	-	12 930	(12 930)	-	9 385	(9 385)

The main component of MISA's revenue is the grant transfer from National Treasury through DCoG. Interest is generated during the year on the cash balance at the bank. The interest is not budgeted for as the amount is dependent on available cash which depends on the implementation of projects.

MISA also received a grant from LGSETA for the apprenticeship programme. This funding is also not budgeted for as it varies year on year depending on the number of apprenticeships and is usually not a significant amount and is based on the collaboration that MISA has with LGSETA.

5 CAPITAL INVESTMENT

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

PART C: GOVERNANCE

1. INTRODUCTION

The Municipal Infrastructure Support Agent (MISA) is a government component established through the Presidential Proclamation 29 of 2012, in terms of section 7A of the Public Service Act, 1994 (PSA). It is a Schedule C entity (in terms of the PSA) under the executive authority of the Minister of Cooperative Governance and Traditional Affairs. For the purpose of accountability and reporting in terms of the PFMA, MISA follows the financial management arrangements applicable to public entities. This is in keeping with the directive by the Minister of Finance in the letter of concurrence to the establishment of MISA as a government component. In the same token, the Head of MISA is the designated accounting officer for the entity as provided for under section 36(3) (b) of the PFMA.

As the designated accounting officer for MISA, the Chief Executive Officer (CEO) is directly accountable to the Executive Authority for Cooperative Governance and Traditional Affairs (CoGTA). Simultaneously, the entity is required to submit performance reports to the Director-General for the Department of Cooperative Governance (DCoG) as stipulated in the Notice on the Operations and Administration of MISA. The rationale for reporting through the DCoG is to enable the Director-General to perform an oversight function in support to the Executive Authority.

MISA compiles and submits quarterly performance reports to the Executive Authority, Department of the Planning, Monitoring and Evaluation (DPME) and National Treasury. These reports are presented to the Portfolio Committee on Cooperative Governance to enable them to exercise the oversight responsibility over the Executive. In terms of Section 7A (4) of the Public Service Act (PSA) the Executive Authority given an allowance to exercise the option of establishing an advisory board without assigning any executive powers to such board. This option of establishing an advisory board has yet to be taken up in respect to MISA.

A system of corporate governance for MISA entails policies, standard operating procedures (SOPs), management and operational committee, assurance structures and oversight authorities. Together, these elements constitute an internal control and risk management system for the entity. The roles of oversight structures were explained above. It has been through the implementation of this system that was behind the unqualified audit opinion without material findings for each of the past four consecutive financial years.

Key among the management and operational committees are the Executive Committee (EXCO); Management Committee (MANCO); Risk Management Committee (RMC) Bid Committees; Planning, Monitoring and Evaluation (PME) Committee and Loss Control Committee. The Internal Audit unit operates as an independent unit from management with responsibility for providing assurance as to the effective application of internal control systems. An overall oversight on the effectiveness of risk management, governance, and the internal control system is played by the Audit Committee (AC). The AC executes its role mainly through quarterly meetings to review the performance of the entity.

2. PORTFOLIO COMMITTEES

MISA was invited to brief the Portfolio Committee on Cooperative Governance and Traditional Affairs on specific matters. Accordingly, MISA management attended the Committee meetings as summarised in the table below:

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
Portfolio Committee on Cooperative Governance and Traditional Affairs (CoGTA)	03 May 2022	Annual Performance Plan (APP) 2022/23 of the Municipal Infrastructure Support Agent	None	N/a
Select Committee on CoGTA, Water and Sanitation, and Human Settlements	10 May 2022	Annual Performance Plan and Budget Allocation of MISA for 2022/23	Persistent underspending by some municipalities in their MIG allocations	MISA has and will continue to provide the necessary support to MIG receiving municipalities with records of perennial underspending
Portfolio Committee on CoGTA	31 August 2022	MISA's Performance and Financial Statements for the 4 th Quarter of 2021/22	Delay in Concluding the enrolment of learners, young graduates, and candidates for the RPL programme for experiential training and trade testing due to prolonged process involved in verifying qualifications and references.	The entity undertook to start the recruitment of learners much earlier in the new financial year
Portfolio Committee on CoGTA	10 October 2022	Briefing on the Annual Report of MISA for 2021/22 Financial Year	There is a problem of aging infrastructure that has been behind the frequent disruption of	MISA and other stakeholders such as National Treasury and SALGA have been supporting municipalities to

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
			services such as water supply.	enable them to utilise 10% of their MIG allocation provided for infrastructure repairs and refurbishment.

3. EXECUTIVE AUTHORITY

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

Report Submitted	Date of Submission	Comments by the Executive Authority	Action Taken
Fourth Quarter 2021/22 Performance Report	29 April 2022	Noted but we must prioritise youth programmes.	MISA contributed towards creating a technical skills pipeline in municipalities through the placement of 318 youth (learners and candidates) in host municipalities across the country.
First Quarter 2022/23 Performance Report	29 July 2022	N/A	N/A
Second Quarter 2022/23 Performance Report	28 October 2022	N/A	N/A
Annual Report 2021/22	15 September 2022	N/A	N/A
Mid-Term Progress Report against Strategic Plan 2020-25	25 November 2022	N/A	N/A
Third Quarter 2022/23 Performance Report	31 January 2023	N/A	N/A

4. THE ACCOUNTING AUTHORITY / BOARD

Section 7A (4) (e) of the PSA provides for an option of establishing an advisory board for a government component at the discretion of the relevant Executive Authority. In terms of section 7A(4)(e) of the Public Service Act, the advisory board for a government component should be established without executive functions and powers. Since the establishment of MISA, the option of establishing an advisory for MISA has not been exercised. During the year review, the Executive Authority initiated the process of establishing an advisory board for the entity. This process was halted before being concluded although it was at an advanced stage.

5. RISK MANAGEMENT

MISA has an approved Risk Management Policy and Strategy that articulates the organisational risk management approach and methodology. The policy enables management to pursue the organisational strategy and take advantage of potential opportunities whilst managing the potential adverse implications and risks associated therewith. The Risk Management Policy and Strategy are reviewed regularly by the Risk Management Committee.

MISA conducted and reviewed its strategic, operational and fraud risks, a process which assisted in identifying new emerging risks as required in terms of the Treasury Regulation Section 3.2.1. Strategic, Operational and fraud risk assessments are conducted annually to align MISA's adopted strategy and its risk profile. The Audit Committee and Risk Management Committee reviewed and monitored risk management progress reports on a quarterly basis, while the Internal Audit function provided assurance on the effectiveness of the risk management processes.

MISA has a functional Risk Management Committee chaired by an independent external member. Members were formally appointed by the Accounting Officer and comply with the approved terms of reference. MISA Risk Management Committee (RMC) members participated in the overall management of the risk management activities, while all other employees participated in the identification and mitigation of risks in MISA. The RMC meetings are held on a quarterly basis to review the mitigation actions of unacceptable levels of risks and advise management on improvements. The RMC reports are submitted to the Audit Committee (AC) which, through the work of Internal Audit, provides independent assurance on overall systems of risk management.

MISA has an Audit Committee (AC) which is chaired by an independent external chairperson and the committee monitors the implementation of mitigation actions whether they yield positive results and makes recommendations to the Accounting Officer. Implementation of risk mitigation action is satisfactory and this is indicated by the improvement of performance on a quarterly basis and it reduces the uncertainty of the MISA achieving on its objectives.

6. INTERNAL CONTROL UNIT

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

- Developed the post audit action plan (PAAP) and monitored the implementation of action plans to address control deficiencies identified during audits by both Internal audit and the AGSA.
- Presented progress reports on implementation of action plans to the Management Committee on a monthly basis and to the Audit Committee quarterly.
- Reviewed payment batches, and quotations and bids files for compliance, accuracy and completeness.
- Reviewed the information requested by the AGSA and Internal Audit before submission to the auditors to ensure completeness, reliability and accuracy.
- Maintain an accurate register for MISA policies and report quarterly to the management and Audit Committee on the status of compliance and completeness of policies.
- Monitored, reviewed and reported on unauthorised, irregular, and fruitless and wasteful expenditure to the Accounting Officer and National Treasury.
- Provided advice to other units within the entity regarding matters related to audit findings and internal controls.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

7.1 Key Activities and Objectives of Internal Audit

Internal Audit derives its mandate from the Public Finance Management Act (PFMA). It is administratively accountable to the Accounting Officer and functionally reports to the Audit Committee. The Unit is required to prepare its plans in consultation with and for approval by the Audit Committee. Internal Audit is providing independent and objective assurance and consulting services designed to add value and improve the entity's operations. It helps the entity to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The unit performed the following activities in line with its approved Internal Audit Charter:

- Developed and implemented a rolling three-year strategic and annual coverage plan based on the risk assessment conducted by the entity.
- Executed the audits as per the approved internal audit plan.
- Reported to the audit committee on progress made against the approved audit plan to allow effective monitoring and intervention when necessary.
- Conducted a periodic annual assessment of the Internal Audit activity for the 2022/23 financial year in accordance with the IIA standards and the Internal Audit Methodology and presented same to the Audit A peer review was conducted and a report was issued and tabled at the Audit Committee meeting. Internal Audit is implementing the recommendations thereof. This will assist the unit in preparation for the next external assessment to be conducted in August 2023.

7.2 Summary of Audit Work Done

Basis of Assessment

Our control assessment opinion is based on the results of all the audits performed by Internal Audit for the year ended 31 March 2023 as follows:

Auditable Area	Assessment by Internal Audit
1. Review of Annual Financial Statements (2021/22)	Adequate and Effective
2. Review of Performance Information (Pre-determined Objectives) quarter 4 of 2021/22 Financial Year	Adequate and Effective
3. Review of Performance Information (Pre-determined Objectives) quarter 1	Needs Improvement
4. Review of Performance Information (Pre-determined Objectives) quarter 2	Needs Improvement
5. Review of Performance Information (Pre-determined Objectives) quarter 3	Adequate and Effective
6. Verification of Post Audit Action Plan (PAAP) quarter 4 of 2021/22 Financial Year	Needs Improvement
7. Verification of Post Audit Action Plan (PAAP) quarter 1 & 2	Needs Improvement
8. Review of the 2021/22 Draft Annual Report	Adequate and Effective
9. Review of SCM processes including verification of Irregular expenditure	Adequate and Effective
10. External Peer Review	Partially Conforms (PC)
11. Review of Payroll Management	Needs Improvement
12. Consulting activity of the APP and Strategic Plans (Consulting Engagement)	Needs Improvement
13. Verification of MISA Infrastructure Projects	Needs Improvement

The Internal Audit function arrived at their overall opinion based on the rating scale below:

The table below summarises our overall opinion which was determined based on the audit results for the period under review:

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

Overall Internal Control Assessment

Need Improvements

Our overall assessment of the internal control processes is as shown above – **Needs Improvements**

Governance -

Adequate and Effective

Our assessment of the governance processes indicates that appropriate oversight structures are in place and functioning with responsibilities allocated in line with the approved Governance Framework. Structures largely exercise their oversight roles with areas of improvement noted in certain areas such as compliance management. The Risk Management Committee meets regularly as required and deliberates on risk management, fraud and corruption, financial disclosure interests and business continuity management, whilst the Audit Committee oversees matters affecting financial management, audit, preformation information and risk management.

Risk Management -

Need Improvements

The Risk Management Policy and strategy for MISA have been approved by the Accounting Officer. These documents were presented before the Risk Management Committee and ultimately tabled at the Audit Committee meeting to ensure that the entity complies with the National Treasury Framework for managing risks. The Unit has resuscitated the appointment of risk champions during the period under review which led to the improvement in risk mitigating strategies.

MISA has a functional Risk Management Committee chaired by an independent external member. Members were formally appointed by the Accounting Officer and did comply with the approved terms of reference. The Risk Management Committee meets on a quarterly basis to evaluate and monitor risks identified and advise for improvements. Risk Management reports

are also discussed at management meetings to ensure that timeous mitigation of risks is implemented to improve organisational performance. During the reporting period. A review on the effectiveness of risk management was conducted and the conclusion indicated the process is adequate and needs improvements to direct the effectiveness of the entire risk management system.

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

Internal Controls -

Need Improvements

The audit reviews undertaken in 2022/23 generally show that the system of internal control needs improvements within MISA. Areas where controls can be improved in terms of design and effectiveness were noted in key areas audited. We have made recommendations to management around the weaknesses identified, and we hope that a tightening of controls across the board will significantly improve the internal control environment. Some of the control weaknesses reported previously were followed- up by Internal Audit and by the end of the financial period, all action plans were fully implemented and thus indicate that the system of internal controls was adequate and effective, however there is still room for improvements.

7.3 Key Activities and Objectives of the Audit Committee

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

7.4 Audit Committee Meetings by Committee Members

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

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Dr Prittish Dala	PHD (Information Technology) (UP), Masters (Information Technology) (University of Pretoria) BSC Hons (Computer Science), (UJ) Bachelor of Information Technology, (Bond University), Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Information System Security (CISSP), Lead Auditor ISO 27001(LA ISO 27001), Certified in the Governance of Enterprise Information Technology (CGEIT) Certified in Risk and Information Systems (CRISC), Certified Ethical Hacker (CEH), Computer Hacking Forensic Investigator (CHFI), and Certified Data Privacy Solutions Engineer (CDPSE)	External Member	Member appointed on 01 July 2020	N/A	6
Ms N Lubanga	National Diploma (Internal Auditing) (Walter Sisulu University), BCom (Internal Auditing) (UNISA), Executive Development Programme (WITS), Postgraduate Diploma Internal Auditing (UNISA),	External Member	Member appointed on 01 July 2020	N/A	6

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
	Postgraduate Diploma General Management (GIBS), Internal Control and Risk Management (University of Pretoria)				
Mr L Makibinyane	B.ENG(Hons) (University of Teesside) Post Graduate Certificate (MDP) UNISA MBL (UNISA)	External Member	Member appointed on 01 July 2020	N/A	6
Ms C Abdoll	(CA) SA BCompt Honours (UNISA), BCom (University of Western Cape), Postgraduate Diploma: Certified Internal Auditing (IIA)	External Member	Member appointed on 01 May 2021	N/A	6
Mr S Gounden	(CA) SA, Chartered Director (SA), Postgraduate Diploma in Accountancy (UDW), BCompt (UNISA)	External Member	Member appointed on 01 May 2021	N/A	6

8. COMPLIANCE WITH LAWS AND REGULATIONS

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

9. FRAUD AND CORRUPTION

MISA has an approved fraud prevention plan and has communicated the policy throughout the organisation to promote ethical behaviour, prevent unethical conduct, fraud, and corruption. The plan outlines its focus and commitment to the reduction and eradication of incidences of fraud and misconduct. It also confirms MISA's commitment to legal and

regulatory compliance. A fraud risk assessment was conducted during the period under review and quarterly monitoring conducted to ensure that fraud mitigation strategies are implemented. Fraud and Ethics awareness activities are on an ongoing basis, as well as awareness posters which are continuously circulated to employees through MISA communication. Fraud and Anti-Corruption awareness forms part of the orientation programme for new employees.

MISA has an approved anti-corruption whistle blowing policy and officials are encouraged to report corrupt activities anonymously through the National Anti- Corruption Hotline (NACH). The policy outlines all internal and external fraud and corruption reporting mechanisms and assures employees protection regarding confidential disclosures, in terms of the Protected Disclosure Act 26 of 2000. Employees are constantly encouraged to report suspected incidences of fraud and corruption through the following communication media:

National Anti-Corruption Hotline: 0800 701 701

Website: www.publicservicecorruptionhotline.org.za

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

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

Free Facsimile: 0800 2014 965

SMS: 39772

The mechanisms that are in place to report allegations of financial misconduct, fraud, corruption, and other improper conduct are the MISA fraud report email and the National Anti-Corruption Hotline managed by the Public Service Commission. All cases reported are registered in the MISA's complaint database. MISA is committed to investigating and reporting on all reported cases of fraud and corruption to the relevant institutions and authorities, depending on the outcome of the preliminary investigations.

10. MINIMISING CONFLICT OF INTEREST

The potential conflict of interest in supply chain management (SCM) within MISA is minimise through the following measures:

- Members of the Bid Committees and MISA employees are required to sign a Code of Conduct upon appointment and at the beginning of each financial year.
- Training and development of SCM officials where there are gaps to ensure that they keep abreast of latest developments and best practice.
- Bid Committee meeting attendees are required to declare their interest prior to commencement of each Bid Committee meeting.
- The Compliance Unit verifies and reviews all SCM documents to ensure compliance with applicable laws.
- All SCM officials are required to comply with the highest ethical standards as contained in the National Treasury's Code of Conduct for Supply Chain Management Practitioners and sign Treasury's Code of Conduct for Supply Chain Management Practitioners. This is crucial for the promotion of mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

- In the event where a conflict of interest has been identified, the Accounting Officer or delegated officials take reasonable steps to prevent abuse of the supply chain management system. Any allegation of corruption, improper conduct, or failure to comply with SCM system regulations is investigated and appropriate remedial steps taken against implicated officials and/or other role players.
- Should a SCM official or other role player, or any close family member, partner or associate of such official or other role player, have any private or business interest in any tender to be awarded, they are required to disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that tender.
- An official who becomes aware of a breach of or failure to comply with any aspect of the supply chain management system is required to immediately report such identified breach or failure to the Accounting Officer or delegated official in writing. Such reporting can also be done anonymously through appropriate mechanisms, including the national anti-corruption hotline.

11. CODE OF CONDUCT

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

Furthermore, MISA has an ethics management strategy in place which is used to drive the ethics management culture within the organisation to ensure that the entity responds in a timely and appropriate manner to unethical conduct to protect its reputation.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Occupational Health and Safety (OHS) Policy, which was approved by the Chief Executive Officer in line with the OHS Act, 1993 (Act 85 of 1993) is currently under review. The Policy review seeks to align the policy with the latest prescripts in ensuring a safe and healthy working environment for employees is preserved and improved. The term of office of Health and Safety Representatives, Fire Marshals, First Aiders and OHS Committee members expired during the year and new officials were designated by the Chief Executive Officer. Training was subsequently provided on general OHS principles for all who were designated, and specific fire marshalling and first aid training will be identified for fire marshals and first aiders respectively.

The OHS Committee meets at least quarterly and periodically conducts site inspections to check that all the requirements of OHS prescripts are met, and that there are no patent hazards. The OHS Committee regularly reports to the Chief Director: Corporate Management Services on the work of the Committee as well as progress reported by the employer on addressing any possible hazards that are identified through the site inspections.

13. COMPANY/ BOARD SECRETARY

Notwithstanding that the Executive Authority for a government component such as MISA has an option in terms of the legislation to establish an advisory board, MISA has not had an advisory board since its establishment. Consequently, the entity did not have a company secretary since its inception or establishment.

14. SOCIAL RESPONSIBILITY

During the financial year under review the entity did not undertake any social responsibility activities.

15. REPORT OF THE AUDIT COMMITTEE

The Audit Committee ("the Committee") is pleased to present its report for the financial year ended 31 March 2023.

15.1 AUDIT COMMITTEE RESPONSIBILITY

The Committee has complied with its responsibilities arising from sections 38 (1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act (PFMA) as well as Treasury Regulation 3.1. Furthermore, the Committee has adopted a formal terms of reference as its Charter and has regulated its affairs in compliance with this Charter as well as discharged all its responsibilities as contained therein.

15.2 EFFECTIVENESS OF INTERNAL CONTROL

An assessment of the findings identified by Internal Audit as well as the audit and management reports presented to the Committee by the Auditor-General of South Africa (AGSA), reveals that the internal control, risk management and governance processes are generally adequate and effective, with room for improvement as it relates to addressing minor internal control deficiencies and enhancing risk management processes.

The Committee is satisfied that Internal Audit provided assurance in terms of control, risk management and governance processes as per the approved risk-based audit plan. At the end of the financial year, the following audit engagements were reported as complete as per the approved risk-based audit plan:

- Review of annual financial statements (2021/22);
- Review of performance information (Pre-determined Objectives) - Quarter 1, 2, 3 and 4 (2021/22);
- Review of the 2021/22 draft annual report;
- Review of the APP and strategic plans (Consulting Engagement);
- Review of supply chain management processes including verification of irregular expenditure;
- Review of payroll management;
- Verification of post audit action plan (PAAP) - Quarter 1, 2 and 4 (2021/22); and
- Verification of MISA infrastructure projects.

15.3 IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS

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

15.4 EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

The Committee has reviewed:

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

15.5 AUDITOR-GENERAL OF SOUTH AFRICA (AGSA) REPORT

The Committee concurs with the conclusions of the Auditor-General of South Africa (AGSA) on the annual financial statements and is of the opinion that the audited annual financial statements may be read together with the audit report of the AGSA.

15.6 CONCLUSION

The Committee would like to express our appreciation to the Executive Authority and Accounting Officer for their leadership and support as well as all other assurance providers and most importantly Management for achieving a fifth consecutive “clean” audit opinion (unqualified with no material findings).

P. Dala

Dr. P Dala
Chairperson of the Audit Committee
Municipal Infrastructure Support Agent (MISA)
Date: 9 August 2023

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 -8) with regards to the following		
Criteria	Response Yes/No	Discussion (Include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law?	No	N/A
Developing and implementing a preferential procurement policy?	Yes	An SCM Policy that encapsulates Preferential Procurement Regulations is in place and being implemented.
Determining qualification criteria for the sale of state-owned enterprises?	No	N/A
Developing criteria for entering into partnerships with the private sector?	No	For the period under review MISA did not enter into any private sector partnership.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	SCM Policy incorporates B-BBEE aspects that seek to incentivise suppliers in compliance with the B-BBEE Act. Furthermore, MISA has obtained a compliance report that measured the extent of Broad-Based Black Economic Empowerment (B-BBEE) for the organisation.

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The human resources priorities for the 2022/23 financial year focused amongst others on the filling of vacancies with the aim to achieve the targeted vacancy rate of 10% on the approved staff establishment. There are 221 posts on the approved organisational structure of which 210 are. As of 31 March 2023, a total of 190 posts were filled which resulted in the achievement of the 10% vacancy rate. A proportion of filled posts under the Technical Support Services Branch, are the Professional (Engineers) which is standing at 93% (78 of 84). For the Senior Management Services (SMS) category, 90% (35 of 39) of the approved posts were filled with a 49% improved target for women in SMS achieved with the appointment of the Chief Director: Project Management Office at the end of the year under review.

MISA's human resources compliance reporting improved with additional compliance plans and reports on Gender Equality & Job Access Strategic Frameworks and Policy & Procedure on Sexual Harassment Public Service developed and submitted to Department of Public Service and Administration (DPSA). Other compliance reports submitted is the Employment Equity report to the Department of Labour; the Workplace Skills Plan (WSP) to Local Government Sector Training Authority (LGSETA); Human Resource Plan and the annual Human Resource Plan Implementation report to DPSA and effective implementation of the Performance Management and Development System (PMDS).

Employee performance and rewards within the entity were managed in accordance with the Performance Management Development System (PMDS) applicable to the public service. The Entity achieved 100% compliance about timeous submission of the Performance Agreements for 2022/23 and finalisation of 2021/22 Performance Assessments, respectively. The procurement of services in the implementation of the Employee Health and Wellness programme is underway remains a priority for Human Resources Management and Development (HRM&D) to ensure that MISA's working environment is conducive for productive performance of its staff. The process to procure a service provider for employee health and wellness services to support employees and promote organisational effectiveness whilst maintaining work life balance is underway. Human Resources policies in line with the applicable legislative frameworks are in place and implemented accordingly.

Key achievements attained by the public entity is the achievement of the 10% vacancy rate by end of the period under review; the appointment of the Chief Director: Project Management Office improved the equity target for women at SMS level to 49% and staff retention particularly for the Technical Support professionals has been effectively managed at 93% (78 of 84) of posts filled at the end of the year under review. The development of the Talent Management and Retention Strategy; and the implementation of the retention strategies are assisting in addressing the staff turnover moving forward. Improvement of leave management remains a key focus of HRM & D in the new financial year with continuous engagements with management on ways to better manage leave within their respective programmes. The declaration of disability of a middle manager will improve the entity's target to 1.4% of the actual 2% mandatory target for appointment of people with disabilities and the 50% of women at Senior Management Service (SMS) will continue to be pursued in the new financial year. The efforts to maintain the 10% vacancy rate threshold will continue through the effective and efficient implementation of the recruitment processes.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel related expenditure

Personnel Cost by programme/ activity/ objective

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	83,604	45,700	55%	71	644
Technical Support Services	314,640	138,447	44%	371	373
IDMS	173,171	12,242	7%	18	680
TOTAL	571,415	196,389	34%	460*	427

**The total no. of employees is inclusive of permanent employees, contract workers and learners (young graduates, experiential and apprentices).*

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	5,694	3%	3	1,898
Senior Management	40,185	21%	32	1,256
Professional qualified	105,770	54%	107	989
Skilled	11,897	6%	17	700
Semi-skilled	10,015	5%	30	334
Unskilled	314	0%	1	314
Temporary employees	22,514	11%	270	83
TOTAL	196,389	100%	460	427

Performance Rewards

Programme/activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	5,694	0
Senior Management	0	40,185	0
Professional qualified	0	105,770	0
Skilled	0	11,897	0
Semi-skilled	0	10,015	0
Unskilled	0	314	0
Temporary employees	0	22,514	0
TOTAL	0	196,389	0

No performance rewards were awarded during the period under review in response to the Circular no.1 of 2019 issued by Department of Public Service and Administration (DPSA) on notice of reduction in the percentage allocation of remunerative budgets for payment of performance bonuses effective 1 April 2019. For the performance cycle 2021/22 zero remuneration budget was allocated for performance bonuses on all levels.

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	45,700	481	1%	47	10
Technical Support Services	138,447	762	1%	106	7
IDMS	12,242	87	1%	13	7
TOTAL	196,389	1,330	1%	166	8

Employment and vacancies

Programme/activity/objective	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 Funded Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
Office of the CEO	18	20	19	18	1	5%
Technical Support Services	117	134	126	117	9	7%
IDMS	11	15	14	12	2	14%
Corporate Management Services	21	23	22	18	4	18%
Financial Management Services	25	29	29	25	4	16%
TOTAL	192	221	210	190	20	11%

Programme/activity/objective	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 Funded Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
Top Management	3	3	3	3	0	0%
Senior Management	32	36	34	32	2	6%
Professional qualified	107	115	115	107	8	7%
Skilled	20	24	24	17	7	29%
Semi-skilled	29	42	33	30	3	9%
Unskilled	1	1	1	1	0	0%
TOTAL	192	221	210	190	20	10%

During the period under review, MISA continued with the process of filling positions that have become vacant in line with the approved revised structure of March 2017. The vacancy rate further reduced to 10% as of 31 March 2023. The vacancy rate at SMS level remained at 10% at the same period with 90% (35 of 39) management echelon filled as the result of the appointment of the Chief Director: Project Management Office in the Branch: IDMS and improved the employment equity target of women in SMS to 49%. The retention of technical

support staff (professional engineers) remained at 93% with 78 of the 84 posts filled. The average period for filling posts during the period under review remained maintained at 6 months which is within the prescribed timelines by the Public Service Regulations, 2016.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	0	3
Senior Management	32	1	1	32
Professional qualified	107	5	5	107
Skilled	20	3	6	17
Semi-skilled	29	1	0	30
Unskilled	1	0	0	1
Total	192	10	12	190

Reasons for staff leaving.

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

The staff turnover as reported above has declined when compared to the previous annual reporting period. The implementation of the Talent Management and Retention Policy and its strategies could yield positive results. Staff attrition, particularly for the Technical Professionals (Engineers) has been stabilised with an equal number of terminations being replaced by appointments. Continued professional development interventions were implemented as a retention strategy tools to minimise the high staff turnover within the occupational category.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	1
Dismissal	0
Total	1

Three (3) disciplinary cases were recorded during the year, with one official suspended; one official found not guilty and one official receiving a final written warning.

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	0
Senior Management	15	17	1	2	0	0	0	0
Professional qualified	52	60	2	2	5	2	5	3
Skilled	12	13	0	0	0	0	0	0
Semi-skilled	8	8	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
TOTAL	90	100	3	4	5	2	5	3

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	15	17	1	0	0	0	0	0
Professional qualified	38	30	3	3	0	0	1	2
Skilled	9	12	0	0	0	0	0	0
Semi-skilled	20	25	0	2	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	83	84	4	5	0	0	1	2

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	1	0
Professional qualified	0	0	0	0
Skilled	0	2	0	0
Semi-skilled	0	0	1	0
Unskilled	0	0	0	0
TOTAL	0	2	2	0

The tables above on implementation of the employment equity targets depicts MISA's commitment with a positive trajectory in the achievement of the employment equity targets for males and females through the recruitment processes for the organisation. MISA is striving to achieve the gender equity target of at least 50% women at Senior Management echelon with an achievement of 49% target on gender equity for women appointed at SMS level, which is seventeen (17) of 35 SMS positions on the approved structure are occupied by women. With the 2% target of persons with disabilities as prescribed in the Employment Equity Act, MISA has maintained 1% achievement with two females with disabilities appointed and a potential increase to 1.4% with a declaration of disability submitted to Human Resources for updating in the PERSAL system which will be considered in the financial year 2023/24. MISA is committed to ensuring achievements on targets of 50% of women at Senior Management Service (SMS) and the 2% mandatory target for appointment of people with disability. The recruitment process has achieved the vacancy rate at 10% threshold with 190 posts filled against 210 funded posts, a reduction by 3% from the previous year versus the current reporting under review.

PART E: PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	R0,00	R0,00
Add: Irregular expenditure confirmed	R0,00	R0,00
Less: Irregular expenditure condoned	R0,00	R0,00
Less: Irregular expenditure not condoned and removed	R0,00	R0,00
Less: Irregular expenditure recoverable	R0,00	R0,00
Less: Irregular expenditure not recovered and written off	R0,00	R0,00
Closing balance	R0,00	R0,00

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/22	R0,00	R0,00
Irregular expenditure that relates to 2021/22 and identified in 2022/23	R0,00	R0,00
Irregular expenditure for the current year	R0,00	R0,00
Total	R0,00	R0,00

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	R0,00	R0,00
Irregular expenditure under determination	R0,00	R0,00
Irregular expenditure under investigation	R0,00	R0,00
Total	R0,00	R0,00

c) Details of current and previous year irregular expenditure condoned.

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	R0,00	R0,00
Total	R0,00	R0,00

d) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	R0,00	R0,00
Total	R0,00	R0,00

e) Details of current and previous year irregular expenditure recovered.

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	R0,00	R0,00
Total	R0,00	R0,00

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	R0,00	R0,00
Total	R0,00	R0,00

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
NONE
Total R0,00

h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
NONE	R0,00	R0,00
Total	R0,00	R0,00

i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
NONE

1.2. Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	R0,00	R0,00
Add: Fruitless and wasteful expenditure confirmed	R0,00	R0,00
Less: Fruitless and wasteful expenditure written off	R0,00	R0,00
Less: Fruitless and wasteful expenditure recoverable	R0,00	R0,00
Closing balance	R0,00	R0,00

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	R0,00	R0,00
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	R0,00	R0,00
Fruitless and wasteful expenditure for the current year	R0,00	R0,00
Total	R0,00	R0,00

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	R0,00	R0,00
Fruitless and wasteful expenditure under determination	R0,00	R0,00
Fruitless and wasteful expenditure under investigation	R0,00	R0,00
Total	R0,00	R0,00

c) Details of current and previous year irregular expenditure recovered.

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	R0,00	R0,00
Total	R0,00	R0,00

d) Details of current and previous year irregular expenditure not recovered and written off.

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	R0,00	R0,00
Total	R0,00	R0,00

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
NONE

1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii)

a) Details of current and previous year material losses through criminal conduct

Material losses through criminal conduct	2022/2023	2021/2022
	R'000	R'000
	0	0
Total	0	0

b) Details of other material losses

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
Other material losses	645,686.96	0
Less: Recovered	(27,000)	0
Total	618,686.96	0

Salary overpayment made to current employee, the debt was raised and recovery is made through monthly instalments.

c) Other material losses recovered.

Nature of losses	2022/2023	2021/2022
	R'000	R'000
<i>(Group major categories, but list material items)</i>	0	0
Total	0	0

d) Other material losses written off.

Nature of losses	2022/2023	2021/2022
	R'000	R'000
(Group major categories, but list material items)	0	0
Total	0	0

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	749	343,466
Invoices paid within 30 days or agreed period	749	343,466
Invoices paid after 30 days or agreed period	NIL	NIL
Invoices older than 30 days or agreed period (<i>unpaid and without dispute</i>)	NIL	NIL
Invoices older than 30 days or agreed period (<i>unpaid and in dispute</i>)	17	2,750

3. SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Deviation for appointment of a service provider (Intelligence Transfer) for the 3rd annual disability conference and opportunity expo.	Intelligence Transfer Center	Sole Service Provider	SCMPO332	R8
Deviation for appointment of a service provider (Umalusi) council) to conduct verification of qualifications of apprentices, experiential learners and young graduates.	Umalusi	Sole Service Provider	SCMPO335	R5
Payment for 2022 CIMA annual membership subscription fee for Ms. Fezeka Nombembe-Ofosu.	CIMA	Sole Service Provider	SCMPO349	R6
Deviation for appointment of a service provider for the 11th annual Gov law conference.	Intelligence Transfer Center	Sole Service Provider	SCMPO352	R31
Deviation for competency assessment for MISA senior management.	Bitline Assessment Services	Sole Service Provider	SCMPO361	R36
Deviation for Membership renewal.	The Internal Institute of Internal Auditors South Africa	Sole Service Provider	SCMPO362	R10

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Deviation for appointment of a service provider (Leadership academy for guardians of governance) for CIA learning system instructor-led-part 1 course.	Leadership academy for guardians of governance	Sole Service Provider	SCMPO382	R10
Deviation for Membership renewal.	The Institute of Internal Auditors South Africa	Sole Service Provider	SCMPO386	R3
Deviation for the referral of Ms. M Malete for health assessment.	Alexander Forbes Health (Pty) Ltd	Sole Service Provider	SCMPO389	R16
Deviation for Caption fees.	Alexander Forbes Health (Pty) Ltd	sole Service Provider	SCMPO390	R75
Deviation for procuring training interventions, conferences, seminars and workshops for MISA officials.	CPD Management and Consulting Services.	Sole Service Provider	SCMPO391	R105
Deviation for 6th Annual Leadership Development for Women in Government conference.	Robert Edwin Conferences.	Sole Service Provider	SCMPO392	R110
Deviation for the attendance of the annual GOVTECH 2022 conference.	SITA SOC LTD	Sole Service Provider	SCMPO395	R45
Deviation for the Substation Design & Equipment Selection training.	South African Institute of Electrical Engineers.	Sole Service Provider	SCMPO396	R148
Deviation for Advanced Project Management for Public Service (US242914) training.	National School of Government.	Sole Service Provider	SCMPO398	R168
Deviation for attendance of the SAMEA 8th biennial conference 2022.	South African Monitoring and Evaluation Association.	Sole Service Provider	SCMPO401	R11
Deviation for the attendance of the CIP for Levels 6-12 Online Programme.	National School of Government.	Sole Service Provider	SCMPO403	R8
Deviation for attendance of the ETELLA: Full Programme.	National School of Government.	Sole Service Provider	SCMPO404	R17
Deviation for payment for MISA Engineering Young Graduates Candidacy Fees to the Engineering Council of South Africa (ECSA).	Engineering Council of South Africa.	Sole Service Provider	SCMPO407	R159

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Deviation for payment for MISA Engineering Young Graduates Candidacy Fees to the Engineering Council of South Africa (ECSA).	Engineering Council of South Africa.	Sole Service Provider	SCMPO408	R4
Deviation for applied geographical information systems training.	Enterprises University of Pretoria.	Sole Service Provider	SCMPO412	R119
Deviation for 66th Annual Convention and Exhibition.	Institute of People Management.	Sole Service Provider	SCMPO414	R16
Deviation for Supervising and Leadership Skills for Today and Tomorrow (Online).	Leadership academy for guardians of governance	Sole Service Provider	SCMPO416	R5
Deviation for the 25th Southern African Internal Audit Hybrid Conference: Live Stream.	The Internal Institute of Internal Auditors South Africa	Sole Service Provider	SCMPO417	R7
Deviation for the Asset Management Training Programme	CPD Management and Consulting Services.	Sole Service Provider	SCMPO418	R153
Deviation for 35th Corporate Governance Conference & Workshop.	Advantage Training.	Sole Service Provider	SCMPO426	R34
Deviation for 85th IMESA Conference & Workshop.	IMESA.	Sole Service Provider	SCMPO427	R60
Deviation for Introduction to SAMTRAC and SAMTRAC Public Training.	NOSA.	Sole Service Provider	SCMPO435	R173
Deviation for the Renewal of SAGE Evolution software subscription.	CCG Systems.	Sole Service Provider	SCMPO439	R233
Deviation for Spatial Planning, Economic Transformation & Industrialisation Symposium.	Marble Technologies.	Sole Service Provider	SCMPO442	R30
Deviation for the renewal of SSL Certificate.	State Information Technology Agency.	Sole Service Provider	SCMPO446	R7
Deviation for Spatial Planning, Economic Transformation & Industrialisation Symposium.	Marble Technologies.	Sole Service Provider	SCMPO449	R40
Deviation for Financial Statement Analysis & Business Forecasting Masterclass.	Limitless Business.	Sole Service Provider	SCMPO450	R54
Microsoft Software Agreement	Microsoft Ireland Operation Limited	Sole Service Provider	SCMPO462	R8 691
Deviation for appointment of a service provider (Conbiz and IT Tech	Conbiz and IT Tech Institute PTY LTD	Sole Service Provider	SCMPO488	R82

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Institute PTY LTD) for generally recognised accounting practices (GRAP) on inventories training 2023.				
Deviation for appointment of a Service Provider (Intelligence Transfer) for the employment equity committees conference.	Intelligence Transfer Center	Sole Service Provider	SCMPO490	R18
Total				R10 697

3.2. Contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Variation for the appointment of a suitable Consultant / Professional Service Provider innovative Technologies or development and implementation of For Solid Waste Management Solutions to support municipalities within the Western Cape Provinces	Khaboke di Waste Management PTY(LTD)	Variation	MISA/WC/SWMS/053 /2021/22	R25 920	N/A	R3 423
Variation order to subscribe for Caseware Software License.	Adapt IT (PTY) Limited	Variation	SCMPO193	R110	N/A	R114
Variation for the rectification of the sewer reticulation and construction of wastewater treatment works at Bhokwe village, Abaqulusi Local Municipality MISA/ALM/SRC/003/2020/21.	Nickelodi a Trading	Variation	MISA/ALM/SRC/003/2020/21	R30 241	N/A	R301
Variation for the rectification of the sewer reticulation and construction of wastewater treatment works at Bhokwe village, Abaqulusi	Nickelodi a Trading	Variation	MISA/ALM/SRC/003/2020/21	R30 241	R301	R3 854

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Local Municipality MISA/ALM/SRC/003/2020/21.						
Variation for the appointment of a service provider to provide security services for MISA.	TDP Security Services	Variation	MISA/F/S S/021/2019	R2 858	N/A	R431
Variation for the appointment of a service provider to provide security services for MISA.	TDP Security Services	Variation	MISA/F/S S/021/2019	R2 858	R431	R626
Appointment of service provider to provide Financial Management and Supply Chain risk management & compliance support to the Municipal Infrastructure Support Agent (MISA) - MISA/F/FMSCM/002/2020.	ESP Consulting	Variation	MISA/TSS/FMCM/002/2020	R9 715	N/A	R2 414
Variation order to the SITA SLA	SITA	Variation	SCMPO336	R756	N/A	R 4 374
Total				R15 537		R15 537

PART F: FINANCIAL INFORMATION

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Municipal Infrastructure Support Agent (MISA) set out on pages 113 to 144, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Infrastructure Support Agent as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the government component ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the

appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

Report on the audit of the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
11. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the government component performance on its primary mandated functions and that are of significant national, community or public interest.

Objective	Page numbers	Purpose
Programme 2: technical support services	[43-51]	The technical support services programme seeks to enhance the capabilities of municipalities for improved municipal infrastructure planning, delivery, operations and maintenance. Its main focus is to manage the provision of technical support and capabilities to enhance the management of municipal infrastructure support programmes by: providing assistance to selected municipalities in conducting infrastructure assessment and analysis providing technical support and expertise to enable the delivery, planning, maintenance and land use management services in collaboration with relevant stakeholders coordinating the development of technical skills to support the delivery of municipal infrastructure programmes.
Programme 3: infrastructure delivery	[54-60]	The purpose of the infrastructure delivery management support (IDMS) support programme is to provide support to municipalities in the implementation of infrastructure projects, as well as operations and maintenance of existing infrastructure.

Objective	Page numbers	Purpose
management support		

12. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the government component planning and delivery on its mandate and programmes.
13. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the government component mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
15. I did not raise any material findings on the reported performance information for the selected programmes.

Report on compliance with legislation

16. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the government component's compliance with legislation.

17. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
18. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the government component, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
19. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

20. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
21. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
22. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

25. I did not identify any significant deficiencies in internal control.

AUDITOR - GENERAL

Pretoria

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the department's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the department to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a department to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999(PFMA)	Section 38(1)(a)(iv); 38(1)(b); PFMA 38(1)(c); 38(1)(c)(ii); 38(1)(d); 38(1)(h)(iii); Section 39(1)(a); 39(2)(a); Section 40(1)(a); 40(1)(b); 40(1)(c)(i) Section 43(4); 44; 44 (1) and (2) ; 45(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 4.1.1; 4.1.3 Treasury Regulation 5.1.1; 5.2.1; 5.2.3(a); 5.2.3(d); 5.3.1 Treasury Regulation 8.1.1; 8.2.1; 8.2.2; 8.2.3; 8.4.1 Treasury Regulation 9.1.1; 9.1.4 Treasury Regulation 10.1.1(a); 10.1.2 Treasury Regulation 12.5.1 Treasury Regulation 15.10.1.2(c') Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b) & (e); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(c); 16A 6.3(d); 16A 6.3(b); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1)&(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9; 16A9.1; 16A9.1(b)(ii); 16A 9.1(c) &(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii) & (iii) Treasury Regulation 17.1.1 Treasury Regulation 18.2 Treasury Regulation 19.8.4
Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);25(1)(e)(i); 25(1)(e)(iii)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 29 Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
Construction Industry Development Board Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2

Legislation	Sections or regulations
	Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
Preferential Procurement Regulations, 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
The State Information Technology Agency Act No. 88 of 1998 (SITA)	Section 7(3) Section 7(6)(b) Section 20(1)(a)(l)
SITA Regulations	Regulation 8.1.1 (b); 8.1.4; 8.1.7 Regulation 9.6; 9.4 Regulation 12.3 Regulation 13.1 (a) Regulation 14.1; 14.2
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
PFMA SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4(a); 4.4(c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT Instruction Note 03 of 2019/20	Par 5.5.1(vi); Paragraph 5.5.1(x);
NT Instruction Note 11 of 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
PFMA SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b) ; 3.3.1; 3.2.2 Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM Instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2 and 4.3.3
Competition Act No 89 of 1998	Section 4(1)(b)(ii)
NT Instruction note 4 of 2015/16	Paragraph 3.4
NT SCM Instruction note 4A of 2016/17	Paragraph 6
NT Instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NT Instruction 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2

Legislation	Sections or regulations
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
PFMA SCM Instruction Note 01 of 2021/22	Paragraph 4.1
Public Service Act,1994	Section 30 (1)



Municipal Infrastructure
Support Agent (MISA)

REPUBLIC OF SOUTH AFRICA

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

Annual Financial Statements
for the year ended 31 March 2023

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

General Information

Nature of business and principal activities	MISA is a dedicated and coordinated technical capacity programme to support municipalities in accelerating the service delivery as well as the sustainable operations and management of municipal infrastructure.
Registered office	Letaba House Riverside Office Park 1303 Heuwel Road Centurion 0046
Postal address	Private Bag X105 Centurion 0046
Controlling entity	The Municipal Infrastructure Support Agent (MISA) is a Government Component within the Ministry for Cooperative Governance(DCoG), established in terms of Presidential Proclamation No. 29 of 2012. It is a Schedule 3 entity regulated in terms of the Public Service Act, of 1994, as amended. Its principal mandate is to provide technical support to and assist municipalities to strengthen their internal capacity for delivery and maintenance of basic service infrastructure.
Bankers	Standard Bank South Africa
Auditors	Auditor-General South Africa
Secretary	None

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

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

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Abbreviations

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of MISA as at the reporting period and the results of its operations and cash flows for the period then ended in conformity with standards of General Recognised Accounting Practice and in a manner required by the PFMA. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the standards of GRAP, including any interpretations, guidelines and directives issued by the ASB.

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

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring that the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operational risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Officer has reviewed the entity's cash flow forecast for the period to 31 March 2024 and, in light of this review and the current financial position, she is satisfied that the entity will have access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The Annual financial statements set out on pages 6 to 36, which have been prepared for the entity on the going concern basis, were approved and signed by the Acting Accounting Officer on 31 July 2023.

Signed by: Elizabeth
Mapatane Kgomo Signed
at: 2023-07-31 18:40:55
+02:00
Reason: Witnessing Elizabeth Mapatane


Ms E.M Kgomo
Acting Accounting Officer
MISA
Date: 31/07/23

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 31 March 2023.

1. Incorporation

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

MISA was officially proclaimed as a government component on 11 May 2012.

Establishment of MISA

In 2011, DCoG announced that it was in the final stages of setting up a Special Purpose Vehicle, to be called Municipal Infrastructure Support Agent (MISA), which will support mainly low and medium capacity municipalities with infrastructure delivery by:

- 1.1 Supporting municipalities to conduct effective infrastructure planning to achieve sustainable service delivery
- 1.2 Supporting and assisting municipalities with the implementation of Infrastructure projects as determined by the municipal integrated development plans (IDPs)
- 1.3 Supporting and assisting municipalities with the operation and maintenance of municipal infrastructure.
- 1.4 Building the capacity of municipalities to undertake effective planning, delivery, operations and management of municipal infrastructure, and
- 1.5 Perform any function that may be deemed ancillary to those listed above.

On establishment, the funding for MISA was ring fenced within the vote of the Department of Cooperative Governance. At the time, the Special Purpose Vehicle was operating as a sub-programme within the Department of Cooperative Governance Programme 6: Infrastructure and Economic Development.

As a government component, MISA is expected to operate in accordance with all the relevant legislation, regulations and policies of the Public Service. These include but are not limited to:

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

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

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

2. Review of activities

Main business and operations

MISA is a dedicated government component under DCoG, established to provide technical support to municipalities to assist them to strengthen their internal capacity for delivery and maintenance of basic infrastructure services.

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

Net deficit for the period under review

Net deficit of the entity for the period under review is R162 044 800 (2022: Surplus of R71 984 965).

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the National Treasury through DCoG will continue funding the ongoing operations of the entity. MISA intends to continue to implement cost containment measures to mitigate any risks associated with the entity's ability to continue operating as a going concern to honor its obligations.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Officer's Report

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

Other than those mentioned above there are no other material facts or circumstances which occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment or disclosure in the financial statements.

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Statements of GRAP, issued by the Accounting Standards Board as prescribed by the framework from National Treasury.

5. Accounting Officers

The Accounting Officer of the entity during the current year was Mr G.N Vimba until the 27 March 2023 and at the date of this report is as follows:

Name	Nationality	
Ms E.M Kgomo (Acting Accounting Officer)	South African	Appointed Thursday, 06 April 2023

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

	Notes	2023 R	2022 R
Assets			
Current Assets			
Prepayments	3	3,018,407	1,711,394
Receivables from non-exchange transactions	4	1,702,383	874,843
Cash and cash equivalents	5	179,368,299	331,264,723
		<u>184,089,089</u>	<u>333,850,960</u>
Non-Current Assets			
Property, Plant and Equipment	6	13,809,507	10,282,888
Intangible assets	7	7,804,386	11,236,075
		<u>21,613,893</u>	<u>21,518,963</u>
Total Assets		<u>205,702,982</u>	<u>355,369,923</u>
Liabilities			
Current Liabilities			
Operating Lease Liability	8	60,243	60,243
Payables from exchange transactions	9	85,018,543	76,673,971
Provisions	10	18,906,223	14,872,936
		<u>103,985,009</u>	<u>91,607,150</u>
Total Liabilities		<u>103,985,009</u>	<u>91,607,150</u>
Net Assets		<u>101,717,973</u>	<u>263,762,773</u>
Accumulated surplus		<u>101,717,973</u>	<u>263,762,773</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Performance

	Notes	2023 R	2022 R
REVENUE			
Revenue from Exchange Transactions			
Interest received	11	12,767,525	8,685,629
Revenue from Non-Exchange Transactions			
Transfer revenue			
Government grants (DCoG)	12	400,216,000	628,864,000
LGSETA Funding	12	1,087,698	700,629
Total revenue from non-exchange transactions		401,303,698	629,564,629
TOTAL REVENUE		414,071,223	638,250,258
Expenditure			
Employee related costs	13	(197,085,760)	(178,608,785)
Depreciation and amortisation	14	(5,731,812)	(5,103,066)
Funds Surrendered to DCoG	15	-	(117,172,059)
Contracted services	16	(304,899,554)	(220,582,758)
General Expenses	17	(68,398,897)	(44,798,625)
TOTAL EXPENDITURE		(576,116,023)	(566,265,293)
(Deficit) surplus for the year		(162,044,800)	71,984,965

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2021	191,777,808	191,777,808
Changes in net assets		
Surplus for the year	71,984,965	71,984,965
Total changes	71,984,965	71,984,965
Balance at 01 April 2022	263,762,773	263,762,773
Changes in net assets		
Deficit for the year	(162,044,800)	(162,044,800)
Total changes	(162,044,800)	(162,044,800)
Balance at 31 March 2023	101,717,973	101,717,973

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Cash Flow Statement

	Notes	2023 R	2022 R
Cash flows from operating activities			
Receipts			
Grants		400,216,000	628,864,000
Interest income		12,767,525	8,685,629
Other Income		864,702	-
		<u>413,848,227</u>	<u>637,549,629</u>
Payments			
Employee costs		(182,206,350)	(179,711,117)
Goods and Services		(377,624,971)	(221,413,660)
Funds Surrendered to DCoG		-	(117,172,059)
		<u>(559,831,321)</u>	<u>(518,296,836)</u>
Net cash flows from operating activities	18	<u>(145,983,094)</u>	<u>119,252,793</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	<u>(5,913,330)</u>	<u>(3,949,545)</u>
Net (decrease)/ increase in cash and cash equivalents		(151,896,424)	115,303,248
Cash and cash equivalents at the beginning of the year		<u>331,264,723</u>	<u>215,961,475</u>
Cash and cash equivalents at the end of the year	5	<u>179,368,299</u>	<u>331,264,723</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income	-	-	-	1,087,698	1,087,698	
Interest received - Call Account	-	-	-	12,767,525	12,767,525	Note 26
Total revenue from exchange transactions	-	-	-	13,855,223	13,855,223	

Revenue from non-exchange transactions

Revenue

Government grants & subsidies	350,216,000	50,000,000	400,216,000	400,216,000	-	
Total revenue	350,216,000	50,000,000	400,216,000	414,071,223	13,855,223	

Expenditure

Employee related costs	(208,000,000)	-	(208,000,000)	(197,085,760)	10,914,240	Note 26
Depreciation and amortisation	(6,000,000)	-	(6,000,000)	(5,731,812)	268,188	Note 26
Contracted Services	(67,716,000)	(290,592,659)	(358,308,659)	(304,899,554)	53,409,105	Note 26
General Expenses	(68,500,000)	-	(68,500,000)	(68,398,897)	101,103	Note 26
Total expenditure	(350,216,000)	(290,592,659)	(640,808,659)	(576,116,023)	64,692,636	

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(240,592,659)	(240,592,659)	(162,044,800)	78,547,859	
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Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 40(1)(b) of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. The financial statements are presented in South African Rand, which is the functional currency of the entity.

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

1.1 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

1.2 Significant judgments 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 judgment 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 judgments include:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of Property, Plant and Equipment

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

Finance Cost

Finance cost comprises the following:

- Interest expense on overdue accounts from service providers.

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

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

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.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.3 Contingent liabilities

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

1.4 Property, Plant and Equipment

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

The cost of an item of Property, Plant and Equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of Property, Plant and Equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

An item of property, plant and equipment is derecognised:

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

The gain or loss from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The useful lives of property, plant and equipment been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5-15 years
Motor vehicles	Straight line	5-10 years
Office equipment	Straight line	5-15 years
Computer equipment	Straight line	5-8 years
Mobile Devices	Straight line	2 years

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. If expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.5 Intangible assets (continued)

Intangible assets acquired are measured on initial recognition at cost.

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

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

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

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

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

Item	Amortisation method	Average useful life
Computer software	Straight line	5-10 years
Computer software, internally generated	Straight line	10 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.8 Employee benefits

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

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

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

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

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

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.8 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined benefit plans

The entity makes contribution to the Government Employee's Pension Fund along with its employees to provide for retirement benefits. The obligation of the entity for any shortfall in the fund is limited to the contributions already made. Contributions are charged to surplus or deficit when made.

1.9 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.9 Provisions (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the organ of state receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method and is recognised on a time proportion basis.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

MISA receives annual transfers from DCoG as per the allocation from National Treasury on a quarterly basis. Additionally, MISA has a collaboration with LGSETA in relation to its municipal capacity building programmes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

MISA recognises the transfers after submitting quarterly performance and financial reports to DCoG as per the accrual basis of accounting.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.13 Irregular and Fruitless and Wasteful Expenditure

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

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

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

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when removed or condoned.

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and confirmed. 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.

If loss incurred is irrecoverable, the accounting officer will consider writing it off after all the reasonable steps have been taken to recover the debt.

If the determination into irregular or fruitless and wasteful expenditure confirms that an employee is responsible for irregular or fruitless and wasteful expenditure, the accounting officer refers the matter to the human resource function to institute consequence management (disciplinary measures) in accordance with the relevant prescripts.

Irregular and Fruitless and Wasteful Expenditure is disclosed in note 23 in the annual financial statement.

1.14 Prepayment

Prepayments are recognized in the statement of financial position when the MISA pays in advance for expenses. Prepayments are initially and subsequently measured at cost.

1.15 Related parties

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

- a) A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the management of the entity or its controlling entity.
- b) An entity is related to the reporting entity if any of the following conditions apply:

Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

1.15 Related parties (continued)

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

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

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

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

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

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

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

1.16 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

1.17 Financial instruments (continued)

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Receivables from non-exchange transactions

MISA does not have trade receivables. Other receivables are initially recognised at fair value, plus or minus transactions costs, and subsequently measured at amortised cost using the effective interest rate method.

Receivables from exchange transactions

Receivables from exchange transactions are disclosed separately from other receivables from non-exchange transactions. Receivables from exchange transaction are subsequently measured at amortised cost, using effective interest method, less accumulated impairment losses.

Payables from exchange transactions

Trade payables are initially measured at fair value plus or minus transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method and are derecognised when payment is made.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently at amortised cost.

Classification

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

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

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

Class	Category
Payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.17 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

- Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

- Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

1.18 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

When the carrying amount of cash-generating assets exceeds its recoverable amount, it is impaired. Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity

Identification

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

Irrespective of whether there is any indication of impairment, the entity also 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.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

1.18 Impairment of cash-generating assets (continued)

Identification

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

1.19 Construction Contracts

A construction contract is a contract, or similar binding arrangement specifically negotiated for the construction of an asset, or combination of assets, that are closely interrelated or interdependent in terms of its design, technology and function or the ultimate purpose or use. Retention are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

MISA is involved in fixed price contracts; these are construction contracts in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

Contract costs are recognised as expenditure in the statement of financial performance in the period in which the construction work is performed. Retentions not paid are recognised as liabilities in the statement of financial position at the end of the reporting period.

Expenditure related to the above is included in contracted services.

Municipal Infrastructure Support Agent (MISA)

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Accounting Policies

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
- GRAP 104 (amended): Financial Instruments - GRAP 25 (Revised) Employee Benefits	1 April 2025 1 April 2023	- To be determined - Unlikely there will be a material impact

Municipal Infrastructure Support Agent (MISA)

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	2023 R	2022 R
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3. Prepayments

The prepayment refers to licence fees paid in advance.

Prepayment - Software Licences	3,018,407	1,711,394
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Software Licences relate to Microsoft fee payments, caseware licence and sage pastel licence fees. The variance is mainly due to an increase in the Microsoft licence fees as a result of the increased Rand-Dollar exchange rate and the increase in the number of licences.

4. Receivables from non-exchange transactions

Other Receivables	1,004,280	366,625
LGSETA	923,625	700,629
Provision for doubtful debts	(225,522)	(192,411)
	<u>1,702,383</u>	<u>874,843</u>

Reconciliation of provision for doubtful debts

Opening balance	(192,411)	(278,413)
(Increase) in provision	(33,111)	(12,705)
Bad debts written off against provision	-	98,707
Closing balance	<u>(225,522)</u>	<u>(192,411)</u>

Increase for provision of doubtful debt is due to the increase in debtors defaulting on their payment arrangement.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty Cash	19,047	25,704
Bank balances-Current and Salary Account	14,005,441	19,435,732
Short-term deposits- Call Account	165,343,811	311,803,287
	<u>179,368,299</u>	<u>331,264,723</u>

The cash and cash equivalents have reduced as the funds retained for the Innovative Solid Waste and Labour Intensive Construction program last year were expensed during the current financial year.

6. Property, Plant and Equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6,569,862	(4,871,774)	1,698,088	6,556,746	(4,653,204)	1,903,542
Motor vehicles	624,322	(593,225)	31,097	624,322	(567,817)	56,505
Office equipment	3,365,324	(1,910,367)	1,454,957	2,947,667	(1,763,465)	1,184,202
Computer equipment	24,413,717	(13,788,352)	10,625,365	19,065,947	(11,927,308)	7,138,639
Total	<u>34,973,225</u>	<u>(21,163,718)</u>	<u>13,809,507</u>	<u>29,194,682</u>	<u>(18,911,794)</u>	<u>10,282,888</u>

Municipal Infrastructure Support Agent (MISA)

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	2023	2022
	R	R

6. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - Mar 2023

	Opening balance	Additions carrying value	Disposal at	Depreciation	Total
Furniture and fixtures	1,903,542	13,116	-	(218,570)	1,698,088
Motor vehicles	56,505	-	-	(25,408)	31,097
Office equipment	1,184,202	417,657	-	(146,902)	1,454,957
Computer equipment	7,138,639	5,482,557	(86,587)	(1,909,244)	10,625,365
	10,282,888	5,913,330	(86,587)	(2,300,124)	13,809,507

Reconciliation of property, plant and equipment - Mar 2022

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

Pledged as security

There are no items of Property Plant and Equipment pledged as security.

Repairs and maintenance

No repairs and maintenance expenditure was incurred in the current year.

7. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	815,002	(648,532)	166,470	815,002	(611,472)	203,530
Municipal Infrastructure Performance Management Information System (MIPMIS)	33,946,284	(26,308,368)	7,637,916	33,946,284	(22,913,739)	11,032,545
Total	34,761,286	(26,956,900)	7,804,386	34,761,286	(23,525,211)	11,236,075

Reconciliation of intangible assets - Mar 2023

	Opening balance	Amortisation	Total
Computer software, other	203,530	(37,060)	166,470
Municipal Infrastructure Performance Management Information System(MIPMIS) - (Internally generated)	11,032,545	(3,394,629)	7,637,916
	11,236,075	(3,431,689)	7,804,386

Municipal Infrastructure Support Agent (MISA)

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Notes to the Annual Financial Statements

7. Intangible assets (continued)

Reconciliation of intangible assets - Mar 2022

	Opening balance	Amortisation	Total
Computer software, other	257,707	(54,177)	203,530
MIPMIS - Internally generated	14,427,173	(3,394,628)	11,032,545
	<u>14,684,880</u>	<u>(3,448,805)</u>	<u>11,236,075</u>

Pledged as security

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

8. Operating Lease Liability

Current liabilities	60,243	60,243
Operating lease accrual	<u>60,243</u>	<u>60,243</u>

Minimum Lease payments due for the following periods:

Not later than one year	1,617,097	8,022,362
Later than one year and not later than five years	410,192	1,397,757
	<u>2,027,289</u>	<u>9,420,119</u>

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

The lease term for the head office building is for a period of 18 months which commenced on 1 December 2021 and ends on 31 May 2023 with an escalation rate of 7% per annum.

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

Currently MISA has 7 operating lease contracts for photocopiers with a duration of 3 years per contract. The first contract commenced in May 2020 and the last contract ends in November 2025, with no escalation rates. The contracts have an option for 24 months extension at a reduced rental amount specified in the initial contracts.

9. Payables from exchange transactions

Trade payables	80,533,016	72,463,140
Service bonus liability	4,276,796	4,153,136
Other payables	208,731	57,695
	<u>85,018,543</u>	<u>76,673,971</u>

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

10. Provisions

Reconciliation of provisions - Mar 2023

	Opening Balance	Movement	Closing Balance
Leave provision: Employees	12,972,936	642,861	13,615,797
Service Provider Claim	-	3,390,426	3,390,426
Technical Consultant Claim	1,900,000	-	1,900,000
	14,872,936	4,033,287	18,906,223

Reconciliation of provisions - Mar 2022

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

Leave Provision: This relates to the value of leave owing to MISA employees. The liability is based on the total amount of leave days due to employees as at 31 March 2023 based on the total remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods. Any unused leave relating to prior calendar year (leave cycle) will be forfeited by 30 June 2023. All unused leave will be paid out to the employee at the end of the employment term or termination of contract.

Service Provider Claim relates to two claims by service providers whose contracts were cancelled, however, the service providers have claimed for the work done prior to the cancellation of their contracts for which the service providers have not been compensated. The amounts claimed by the two service providers are R3,301,301 and R89,125.

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

Performance Bonus Provision: Performance bonus has been phased out by DPSA.

11. Revenue from exchange transactions

Interest Received	12,767,525	8,685,629
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12. Revenue from non-exchange transactions

Government grant	400,216,000	628,864,000
LGSETA Funding	1,087,698	700,629
	401,303,698	629,564,629

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
13. Employee related cost		
Basic salary, Non pensionable allowance, Acting allowance and other allowances not listed below	168,488,919	151,423,695
Service Bonus (13th cheque)	8,707,533	8,887,209
Medical aid	2,053,973	1,834,048
Pension	15,245,443	13,895,622
Housing allowances	2,589,892	2,568,211
	<u>197,085,760</u>	<u>178,608,785</u>

Municipal Infrastructure Support Agent (MISA)

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Figures in Rand

13. Employee related cost (continued)

Remuneration for Key Management Personnel - 31 Mar 2023

	Basic Salary	Other Short-term employee benefits	Bonuses and Performance related payments	Post-employment such as Pension and other retirement benefits	Fees for services as a member of management	Total Remuneration
Chief Executive Officer - Vimba GN	1,565,865	450,724	-	188,229	218,980	2,423,798
Chief Financial Officer - Nombembe-Ofosu F	1,074,300	314,968	-	128,233	-	1,517,501
Deputy Director General - Kgomo EM	1,235,859	389,446	-	160,661	-	1,785,966
Deputy Director General - Zimbwa AG	1,113,523	352,920	-	144,758	-	1,611,201
Chief Director - Ngobeni TS	1,016,228	293,153	-	132,109	-	1,441,490
Chief Director - Mamuremi F	1,094,764	347,319	-	142,319	-	1,584,402
Chief Director - Mathada V	858,179	481,010	-	111,563	-	1,450,752
Chief Director - Mathabathe R	929,376	297,939	-	120,819	-	1,348,134
Chief Director - Nkosi HJ	784,830	441,647	-	102,028	-	1,328,505
Chief Director - Ndalasi L	1,058,006	327,155	-	137,541	-	1,522,702
Chief Director - Mnqeta NP (Resigned on 30 April 2022)	72,986	29,611	-	9,488	-	112,085
Chief Director - Mtshali BS (Acted as Chief Director from 8 April 2022 to 31 July 2022, Appointed as Chief Director on 1 August 2022)	618,049	208,222	-	80,346	-	906,617
Chief Director - Layte MA (Appointed on 1 March 2023)	76,303	18,128	-	9,919	-	104,350
	11,498,268	3,952,242	-	1,468,013	218,980	17,137,503

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand

13. Employee related cost (continued)

Remuneration for Key Management Personnel - 31 Mar 2022

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
14. Depreciation and amortisation		
Property, Plant and Equipment	2,300,124	1,654,261
Intangible assets	3,431,688	3,448,805
	<u>5,731,812</u>	<u>5,103,066</u>
15. Funds Surrendered to DCoG		
Funds Surrendered to DCoG	-	117,172,059
16. Contracted services		
Information Technology Services	5,034,955	5,059,312
Professional and consulting services	242,462,359	135,953,940
Property rental	9,108,120	11,633,691
Agency support	718,250	642,492
Security services	1,509,724	1,321,879
Infrastructure Projects	46,066,146	65,971,444
	<u>304,899,554</u>	<u>220,582,758</u>
The increased expenditure is mainly to the implementation of the Innovative Solid Waste programme.		
17. General expenses		
Advertising expenses	620,500	405,755
Audit fees	4,887,153	5,762,523
Bank Charges	86,885	85,094
Cleaning	701,272	712,896
Office related expenditure	323,422	70,910
Increase in the provision for bad debts	33,110	12,705
Entertainment	257,134	169,082
Lease Payment - Printers and Photocopiers	367,127	277,835
Printing and stationery	686,769	1,077,511
Telephone	2,139,100	2,368,108
Transport	2,638,445	3,831,930
Training	13,410,840	4,455,683
Accommodation	25,769,905	15,746,056
Bursaries	11,557,845	4,597,939
Catering	159,410	122,569
Sundry expenses	2,390,815	4,103,130
Venues and facilities	2,369,165	998,899
	<u>68,398,897</u>	<u>44,798,625</u>
Included under sundry expenses are the following expenses:		
Consumables	1,469,425	1,656,666
Courier	2,912	5,150
Legal costs	831,890	2,311,180
Net Loss on assets written off	86,588	130,134
	<u>2,390,815</u>	<u>4,103,130</u>

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
18. Cash (used in) generated from operations		
Surplus for the year	(162,044,800)	71,984,966
Adjustments for:		
Depreciation and Amortisation	5,731,812	5,103,066
Loss on assets written off	86,588	143,788
(Decrease) in operating lease liabilities	-	(285,264)
Increase/(Decrease) in provisions	4,033,287	(1,123,430)
Increase in Bad Debts provision	33,111	-
(Increase) in Receivables from non-exchange transactions	(860,650)	(565,855)
(Increase)/Decrease in Prepayments	(1,307,013)	78,082
Increase in Payables from exchange transactions	8,344,571	43,917,440
Cash (used in) generated from operations	(145,983,094)	119,252,793
19. Commitments		
Approved Expenditure		
Total Commitments		
• Contractors	81,831,082	174,912,873
Commitments payable not later than one year		
• Contractors	46,589,177	148,706,454
Commitments payable later than one year and not later than five years		
Contractors	35,241,905	26,206,419
	35,241,905	26,206,419

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
20. Contingencies		
Contingent liability		
The contingent liabilities relate to the following:		
1. Claim by service provider for work done on the Northern Cape Bucket eradication programme. Contract was terminated by mutual agreement, the claim is for R12 000 000. There are no prospects of MISA paying based on the expert report on work done. The other amount claimed was not for work performed and MISA also has a counter claim. Furthermore, the reason for termination was due to the submission of a fraudulent tax clearance certificate.		
2. An employee's contract was terminated by MISA for an outstanding qualification certificate. An employee took the matter to the Bargaining Council and the matter was dismissed. The employee approached the Labour Court and the matter will be heard there. The claim is for R1 468 710.		
Claim against the state	13,468,710	19,027,809
Potential Funds to be Surrendered to DCoG	77,085,673	242,243,811
	<u>90,554,383</u>	<u>261,271,620</u>

The following matters relating to prior year were resolved and therefore not included in the current year contingent liability note:

1. Claims by former technical consultants relating to extension of contracts. MISA may be required to pay R4 million plus legal costs should the former Technical Consultants win their case. The probabilities of MISA being required to pay are low. The contracts of the TCs expired and the new process excluded them objectively.
2. The service provider was engaged for the training of young graduates. The service provider has been submitting invoices that were substantiated by evidence and those were paid. Towards the end of the contract, an invoice was submitted but lacked evidence of work done and on that basis MISA refused to process the invoice. Attempts to resolve the matter at top management level yielded no results. It was agreed that Arbitration Foundation of Southern Africa will have to resolve the dispute, as provided for in the contract. The claim is for R1 559 099.
3. The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the department will be obligated to pay the salary increases in dispute. The management judgment is that, there is currently no reasonable basis to quantify the financial impact of the COLA payment for 2020/21 in the event the Constitutional Court rules against the LAC judgment. Consequently, no amount is attached to this contingent liability.
4. The surplus funds for the 2021/2022 financial year were approved for the retention amounting to R242 243 811 in 2022/2023 financial year.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
21. Related parties		
Relationships		
The following are members of the same economic entity namely:	Department of Cooperative Governance Department of Traditional Affairs Municipal Demarcation Board South Africa Cities Networks-Fellow Controlled Entity South African Local Government Association CRL Rights Commission	
Related party transactions		
Transfer Received		
Transfer from DCoG	400,216,000	628,864,000
Payments made		
Funds surrendered to DCoG	-	(117,172,059)
Related party balances		
Amount included in payables owed to DCoG for the recovery of expenses paid by DCoG on behalf of MISA.	293,093	293,093
Refer to note 13 for key management personnel information and note 26 for members of audit committee.		
22. Risk management		
Financial risk management		
The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The management of the entity have overall responsibility for the establishment and monitoring of the entity's risk management policies and procedures which have been established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls and to monitor adherence to limits, risk management policies and procedures and reviewed regularly to reflect changes in market conditions and the entity's activities		
Liquidity risk		
Liquidity risk is the risk that relates to the entity's ability to pay all its creditors.		
MISA does not have any long term liabilities. The entity receives its funding from National Treasury through DCoG and incurs expenditure in terms of a planned budget. MISA has sufficient resources to meet its obligations as they fall due, Refer to note 9 . Monthly management meetings are held to ensure that the planned budget is adequately managed.		
Maturity analysis		
30 days	85,018,543	76,673,971

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
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22. Risk management (continued)

Credit risk

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

Financial assets exposed to credit risk at 31 March 2023 were as follows:

Age analysis of receivables for non-exchange transactions (neither past due nor impaired)	2023	2022
0-3 months	1,656,834	744,025
>3-6 months	2,912	7,885
>6-12 months	1,113	4,950
>12 months and older	41,524	117,983
TOTAL	1,702,383	874,843

Market risk

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

23. Irregular and Fruitless and Wasteful Expenditure

Irregular Expenditure	-	-
Fruitless and Wasteful Expenditure	-	-
	-	-
Closing balance	-	-

No Irregular and Fruitless and Wasteful Expenditure incurred and confirmed during the period under review.

24. Defined benefit plan

Government Employee Pension Fund

Contributions	15,245,443	13,895,622
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Retirement benefit are provided by membership of the Government Employee Pension Fund which is a defined benefit fund. Parliament's responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made on behalf of its employees. The obligation of the fund is governed by the Government Employees Pension Law, Proclamation 21 of 1996.

These contributions are included in surplus or deficit of the reporting period.

An Actuarial valuation of the GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation of GEPF was performed in 31 March 2021. These valuation indicates that the plan is in a good sound financial position. The estimated liabilities of the fund are R1 855 million which adequately funded by assets of R2 041 million as at 31 March 2021.

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2023

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	2023 R	2022 R
25. Fees for members of the Audit and Risk Committee		
Ms CV Abdoll	138,159	161,645
Mr S Gounden	155,891	152,093
Mr LL Makibinyane	123,350	157,971
Ms N Lubanga	168,755	162,380
Mr LJ Makoro	98,249	80,242
Dr P Dala	238,726	194,197
	923,130	908,528

All the members of the audit committee are external members. Dr Dala is appointed as the chairperson of the audit committee. Mr LJ Makoro is appointed as the chairperson of the risk management committee.

26. Actual operating expenditure versus budgeted operating expenditure

26.1 Interest received on the Call Account was not budgeted for hence the positive variance of R12.76 million.

26.2 Variance between Final Budget and Actual Expenditure.

- Employee related Costs: The expenditure amounting to R197.08 million was incurred against the budget of R208 million which resulted in an underspending of R10.91 million. The under expenditure is mainly due to vacancies, recruitment of young graduates and experiential learners that took longer than expected.
- Contracted services: The expenditure amounting to R304.89 million was incurred against the budget of R358.31 million which resulted in an underspending of R53.41 million. The under expenditure is mainly due to the Eastern Seaboard Programme which procurement commenced during the current year and commitments were made against the
- General Expenses: Actual expenditure amounting to R68.39 million was incurred against a budget of R68.50 million.
- Depreciation: The expenditure amounting to R5.73 million was incurred against a budget of R6.00 million.

27. BBBEE Compliance Performance Information

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



MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

Editorial, coordination, design and layout: MISA Communications

ISBN: **978-0-621-51188-8**

RP. **183/2023**

This report is also available on www.misa.gov.za