# MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)


# ANNUAL REPORT 2023/24

cooperative governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

2030 NDP

MISA
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
Today, Creating a Better Tomorrow

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**MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)**

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

# Table of Contents



# Part A: General Information

# 1. GENERAL INFORMATION FOR MISA

| | |
|---|---|
| **REGISTERED NAME:** | MUNICIPAL INFRASTRUCTURE SUPPORT AGENT |
| **REGISTRATION NUMBER:** | N/A |
| **PHYSICAL ADDRESS:** | 1303 HEUWEL AVENUE |
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| **EXTERNAL AUDITORS:** | AUDITOR-GENERAL SOUTH AFRICA |
| **BANKERS:** | STANDARD BANK |
| **COMPANY/ BOARD SECRETARY** | N/A |

# 2. LIST OF ABBREVIATIONS/ACRONYMS

| | |
|---|---|
| AC | Audit Committee |
| AFS | Annual Financial Statements |
| AGSA | Auditor-General of South Africa |
| AO | Accounting Officer |
| AoPO | Audit of Predetermined Objectives |
| APP | Annual Performance Plan |
| B2B | Back to Basics |
| B-BBEE | Broad-based Black Economic Empowerment |
| BFI | Budget Facility for Infrastructure |
| CAE | Chief Audit Executive |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COE | Cost of Employment |
| CoGTA | Cooperative Governance and Traditional Affairs |
| CRR | Critical Risk Rating |
| CSIP | Corporate Services Improvement Plan |
| 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 |
| DDGs | Deputy Director General |
| DDM | District Development Model |
| DER | Distributed Energy Resources |
| DM | District Municipalities |
| DORA | Division of Revenue Act |
| DPME | Department of Planning, Monitoring and Evaluation |
| DPSA | Department of Public Service and Administration |
| DR | Demand Response |
| DWS | Department of Water and Sanitation |
| ECSA | Engineering Council of South Africa |
| EE | Energy Efficiency |
| EEDSM | Energy Efficiency Demand Side Management |
| EPWP | Expanded Public Works Programme |
| ERS | Electronic Reporting System |
| ESD | Eastern Seaboard Development |
| EXCO | Executive Committee |
| FIDPM | Framework for Infrastructure Delivery and Procurement Management |
| GICTM | Government Information and Communication Technology Management |
| GCC | General Conditions of Contracts |
| GRAP | Generally Recognised Accounting Practice |
| HRM&OD | Human Resources Management and Organisational Development |
| IAA | Infrastructure Assessment and Analysis |
| ICT | Information Communication Technology |
| IDMS | Infrastructure Delivery Management Support Programme |
| IDPs | Integrated Development Plans |
| IDPM | Infrastructure Delivery, Planning and Maintenance subprogramme |
| IFS | Interim Financial Statements |
| IT | Information Technology |
| IRMSA | The Institute of Risk Management South Africa |
| JICA | Japan International Cooperation Association |
| KPI | Key Performance Indicator |
| 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 |
| MINEXCO | Ministerial Executive Committee |
| MoU | Memorandum of Understanding |
| MPSA | Minister of Public Service and Administration |
| MSIPs | Municipal Support and Intervention Plans |

| | |
|---|---|
| MTEF | Medium Term Expenditure Framework |
| MTSF | Medium Term Strategic Framework |
| NACH | National Anti-corruption Hotline |
| NDP | National Development Plan |
| NDMC | National Disaster Management Centre |
| NRW | Non-Revenue Water |
| NT | National Treasury |
| NQF | National Qualifications Framework |
| 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 |
| PSA | Public Service Act |
| RBIG | Regional Bulk Infrastructure Grant |
| RSDF | Regional Spatial Development Framework |
| RMC | Risk Management Committee |
| RPL | Recognition of Prior Learning |
| RRAMS | Rual Roads Asset Management Systems |

| | |
|---|---|
| SALGA | South African Local Government Association |
| SCM | Supply Chain Management |
| SDF | Spatial Development Framework |
| SDG | Sustainable Development Goals |
| SMS | Senior Management Services |
| SOLG | State of Local Government Report |
| SOP's | Standard Operating Procedures |
| SPLUMA | Spatial Planning and Land Use Management Act |
| TID | Technical Indicator Description |
| TSS | Technical Support Services programme |
| TSP | Technical Support Plan |
| ToC | Theory of Change |
| TVET | Technical Vocational Education and Training |
| URAMS | Urban Roads Asset Management System |
| WC/WDM | Water Conservation or Water Demand Management strategies |
| WSA'S | Water Services Authorities |
| WSP | Workplace Skills Plan |
| WSIG | Water Services Infrastructure Grant |
| WTWS | Water Treatment Works |
| WWTWS | Wastewater Treatment Works |

# 3. Foreward by the Minister

> "During the year under review, MISA continued to support municipalities with special focus on the priority list of 22 mainly through the deployment of technical professionals (engineers and town planners) in line with the District Development Model."

The South African economy continued to endure the impact of the COVID-19 pandemic that was exacerbated by the ongoing geo-political instabilities initially caused by the Russia-Ukraine war and more recently the turmoil in the middle east. It is reasonable to anticipate that these conflicts will continue into the foreseeable future thereby derailing the local economies across that globe. Uncertainties emanating from global instabilities outlined continues to dampen South Africa's economic growth that has been in the doldrums for a prolonged period. Significantly low economic growth severely impacted the ability of municipalities to raise revenues essential for developing new infrastructure and proper maintenance of existing infrastructure in two ways. Firstly, National Treasury was compelled to cut budget allocations for all government institutions due to declining revenue collection. Secondly, increases in interest rates to stem the inflation tide has decimated households' incomes and further reduce their ability to pay for municipal rates and taxes.

CoGTA developed Municipal Support and Intervention Plans (MSIPs) as a mechanism for getting municipalities to address challenges identified in the State of Local Government (SOLG) report approved by Cabinet in 2021. The MSIPs created the basis for drafting of annual performances plans (APPs) for each component within Cooperative Governance and Traditional Affairs (CoGTA) for the 2023/24 financial year. To ensure that the support and interventions provided by MISA result in tangible changes in municipalities and benefit their targeted communities, a shift in approach to crafting performance indicators was deemed necessary. There was also a shift in the selection of municipalities to be supported in line with the APPs that results in priority being given to 22 municipalities identified as the most vulnerable in the SOLG Report.

Strategic partnerships are critical for the leveraging of critical expertise and resources from within and outside the State. To this end, MISA collaborated with the Department of Water and Sanitation (DWS) around initiatives that seek to improve the functionality of water treatment works and waste-water treatment works that are reflected in the Blue and Green Drop reports as the worst performers. During the year under review, the existing collaborative relationship with the Local Government Sector Education and Training Authority (LGSETA) was valuable for the rollout of MISA's learning programmes.

During the year under review, MISA continued to support municipalities with special focus on the priority list of 22 mainly through the deployment of technical professionals (engineers and town planners) in line with the District Development Model (DDM). As at the end to the financial year, 76 technical professionals were employed by MISA against a total of 84 on the entity's approved structure. The focus of support provided by MISA during the year was aimed at enabling municipalities to improve the quantity and quality of spending on conditional grants, increase investment on infrastructure repairs utilising 10% of their municipal infrastructure grant (MIG) allocations; expand access to such basic services as water, waste removal and electricity; improve the functionality of water and waste-water treatment plans and reduce water and energy losses.

In providing its support to municipalities in line with the performance targets formulated to measure substantive results, MISA was faced with a myriad of challenges. Key among these were the inability of targeted municipalities to allocate sufficient funding, if any, towards addressing shortcomings in their processes that undermine their ability to provide reliable services to the people.

Another constraining factor is the lack of technical capacity in municipalities to perform daily activities necessary for the proper functioning of existing infrastructure. In an endeavour to close capacity gaps in municipalities, MISA placed young graduates, apprentices and learners; provided training to technical officials in municipalities and enrolled qualifying municipal employees into the recognition of prior learning (RPL) programme for upskilling.

> **"In the medium term the main focus would be to position municipalities to provide energy and water services in a sustainable manner, supporting municipalities to become more resilience to disasters caused by climate change factors, and improvement in spatial planning by municipalities."**

The year 2023 marked the 10 years of MISA's existence since it was proclaimed in 2023 and started operating as a separate entity. In recognition of these milestones, the entity convened a 10-Year Indaba hosted by the Minister inviting key stakeholders to reflect on the decade of providing support to municipalities. The indaba provided a platform for highlighting the entity's achievements over the past 10 years, identifying areas of improvement, and laying a solid foundation for more impactful programme over the next decade and beyond. This period coincided with the development of a long-term strategy for MISA, which sets out the key strategic focus areas for the entity in the short and medium to long term.

There is a high degree of overlap between areas of focus highlighted by stakeholders at the indaba and those proposed in the long-term strategy. In terms of the long-term strategy the key strategic focus of MISA in the short term will be enhancement of municipalities to deliver new infrastructure appropriately towards expanding access to basic services while investing resources on maintaining the reliability of existing assets. In the medium term the main focus would be to position municipalities to provide energy and water services in a sustainable manner, supporting municipalities to become more resilience to disasters caused by climate change factors, and improvement in spatial planning by municipalities. An integral part of rolling out the long-term strategy is the intention to positioning MISA as a knowledge hub on matters pertaining to municipal infrastructure provision. The entity is also investigating the alternative operating models with the aim of coming with one that is appropriate for MISA and which will inform its institutional form in the long term.

I am deeply grateful to the Chief Executive Officer's office, 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 our 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.

MINISTER COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

**MR VELENKOSINI HLABISA, MP**

# 4. Deputy Minister Statement

> 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.

Municipalities continue to be 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 outside 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 processes 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.

> In the medium term the main focus would be to position municipalities to provide energy and water services in a sustainable manner, supporting municipalities to become more resilience to disasters caused by climate change factors, and improvement in spatial planning by municipalities.

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 90%. 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 Hlabisa, Deputy Minister Burns-Ncamashe, the Director Generals of Cooperative Governance and Traditional Affairs (COGTA) and the 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.

DEPUTY MINISTER FOR COOPERATIVE GOVERNANCE
**DR NAMANE DICKSON MASEMOLA, MP**

# 5. Chief Executive Officer's Overview

> Total expenditure for the year amounted to R317.20 million, against the total allocation of R478.54 million, resulting in a surplus of R161.34 million for the year. The recorded spending represents 66% of total budget to the entity for the financial year under review while it represents 77% of total revenue.

The Municipal Infrastructure Support Agent's total budget for the 2023/24 financial year was R478.54 million. This amount includes the surplus amount of R77.09 million (comprising R47.23 million for Eastern Seaboard) retained from the previous financial year. Total transfer from the National Revenue Fund received through the Cooperative Governance and Traditional Affairs (CoGTA) Vote was R401.45 million, inclusive of R50 million for the Eastern Seaboard Development. Additional revenue of about R13.02 million was received. This amount mainly comprises of R11.93 million interest income earned from funds in the bank and R1.09 million received as a grant from Local Government Sector Training Authority (LGSETA). This brings the total revenue for the financial year excluding retained funds to R414.47 million.

Total expenditure for the year amounted to R317.20 million, against the total allocation of R478.54 million, resulting in a surplus of R161.34 million for the year. The recorded spending represents 66% of total budget to the entity for the financial year under review while it represents 77% of total revenue.

Spending on the cost of employees of R196.30 million accounted for 62% of the total expenditure in the year under review. About R51.81 million was spent on goods and services, representing 16% of the total spending for the year. Operational expenses amounted to R62.08 million, which constituted 20% of the total annual expenditure.

MISA achieved performance targets for 12 of the 22 output indicators in the approved annual performance plan (APP) for 2023/24, which translates into an overall achievement of 55% for the year under review. This performance level is a drop of 36% from the previous financial year level of 91% achievement. Most of the targets not achieving was under the Technical Support Services (TSS) programme, with the remaining two output indicators not achieving coming from the Administration programme and Infrastructure Delivery Management Support (IDMS) programme respectively. The main reasons for not achieving these targets were lack of budget cited by supported municipalities to address non-revenue water reduction strategies and the delays caused by mostly municipalities not capturing data on their Expanded Public Works Programme (EPWP) leading to improper reporting on the Electronic Reporting System (ERS).

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 R77.09 million from the 2022/23 budget. 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 co-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 the 2018/19 financial year.

MISA received an unqualified audit opinion without material findings for each of the past five 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 Auditor General (AGSA) in the management report for 2022/23 have been addressed.

> **"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."**

In the coming financial year, MISA will strive to optimally utilise its resources in support to the identified 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 gratitude goes out to the members of my senior management team for their valuable contribution to the 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 the Minister, Deputy Ministers and the Director-General of DCoG without which it would have been extremely difficult to reach our milestones for the year.

CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
**MS M KGOMO**
Date:31 May 2024

# 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 2024.

Yours faithfully

CHIEF EXECUTIVE OFFICER
MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
**MAPATANE KGOMO**
Date:31 May 2024

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

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

# MISA EXECUTIVE MEMBERS

**MR V HLABISA**
MINISTER COGTA

**DR D MASEMOLA**
DEPUTY MINISTER COOPERATIVE GOVERNANCE

**MS J NKOSI**
DDG INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT (ACTING)

**MS M KGOMO**
CHIEF EXECUTIVE OFFICER

**MR A ZIMBWA**
DDG TECHNICAL SUPPORT SERVICES

**MS F NOMBEMBE-OFOSU**
CHIEF FINANCIAL OFFICER

**MR V MATHADA**
CD EXECUTIVE SUPPORT, STRATEGY & SYSTEMS

**MS R MATHEBANE**
CORPORATE MANAGEMENT SERVICES

**MS Z MABENA-MNGUNI**
DD RISK, ANTI-CORRUPTION & INTEGRITY MANAGEMENT

**MR T THOBILENG**
DIRECTOR INTERNAL AUDIT

# 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 74 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 five-year period from 2019/20 to 2023/24, MISA provided 1 481 unemployed youth with technical skills opportunities in the form of apprenticeships (465), experiential learnerships (214) and technical bursaries (462). Additionally, the entity offered training opportunities to municipal officials. In the period 2019/20 to 2023/24, MISA provided technical skills training opportunities to more than 2 326 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 157 boreholes and water and waste-water treatment plants in various municipalities around the country within the 2019/20 to 2022/23 financial years and benefiting over 24 000 households. Within the 2023/24 financial year, 5 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 gazetting of the ESD region, the Regional Spatial Development Framework (RSDF) was developed, published for public comment and subsequently approved. An overwhelming response was received from the public, businesses, and other interested parties, in the ESD programme. In the 2023/24 financial year, MISA continued its support through the completion of plans towards spatial transformation in the Eastern Seaboard region and the preparation of four catalytic projects for investment mobilisation within the ESD region.

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 expectations of the MIG Programme. More efforts in this regard are directed at the 55 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 two of the three top management positions in the entity remained filled. These include the positions of the two Deputy Directors-General (DDGs). 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 and 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 was filled.

Key achievements attained by the public entity during the 2023/24 financial year:

- The approval of MISA realigned organisational structure that was concurred by Minister of Public Service and Administration (MPSA) with 245 posts, and it is envisaged that all new posts will be funded from the financial year 2024/25 onwards.
- The concurrence by Cabinet on the appointment of the Chief Executive Officer for the organisation.
- The significant improvement of the equity target for women at SMS level to 55% and staff retention particularly for the Technical Support professionals which is 90% (76 of 84) of posts filled at the end of the year under review.
- The vacancy rate is at 14% with 86% (181 of 210) posts filled by end of the period under review. The efforts to reduce the vacancy rate from 14% to the 10% threshold will continue through the effective and efficient implementation of the recruitment processes.
- The mandatory disability target achieved remains at 1% and Human Resources Management and Organisational Development (HRM&OD) continues to ensure that the 2% is achieved.

## 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 | A capable and ethical government | Compliance with the organisation ethical management strategy to foster a culture of ethical conduct within the organisation. | 100% Compliance with the ethical management strategy. |
| | Functional, efficient and integrated government | Maintenance of unqualified audit opinion annually | Unqualified audit opinion for each year until 2024 |
| 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 |

| **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** |
| Economic transformation and job creation | 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 |
| | | Increased percentage of operational expenditure spent on Operations and Maintenance in districts. | 40 Municipalities with improved compliance on infrastructure procurement related legislation. |
| | Enhanced intergovernmental and inter- departmental coordination through the implementation of the District Development Model | Infrastructure projects identified from approved DDM plans and resources allocated for improved basic service delivery | 60 Infrastructure projects |
| | Quality and quantum of infrastructure investment to support growth and job creation improved | Number of municipalities supported to access funding for infrastructure investment through leveraging of existing national transfers and other innovative mechanisms. | 13 Districts implementing Long-term Infrastructure Investment Plans |
| 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 development and/or implementation of SPLUMA compliant plans |
| | 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 to deliver infrastructure to increase access to water services. |
| | | Number of districts supported to improve capacity to deliver infrastructure to increase access to sanitation services | 44 districts supported to deliver infrastructure to increase access to sanitation services. |
| | | Number of districts supported to reduce waste disposal to landfill sites | 44 districts supported to reduce waste disposal to landfill sites. |
| | | Number of districts supported to improve capacity to deliver infrastructure to increase access to electricity services | 44 districts supported to deliver infrastructure to increase access to electricity services. |

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

In the financial year under review MISA narrowed its support from 44 district spaces to 22 dysfunctional municipalities, with the view to optimising impact. The targeted 22 were regarded as the worst performing in a total of 66 dysfunctional municipalities as identified in the 2022 State of Local Government Report. However, MISA continued to provide support to the municipalities for them to have improved access to sustainable services. MISA support was in the form of providing technical support and strengthening the capacity of municipalities to provide reliable municipal infrastructure and services 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. MISA prioritised development and implementation of water conversation and water demand plans to improve water management systems for the benefit of all in the communities.

MISA support programmes in the 2023/24 financial year focused on the following strategic programmes or performance areas:

- Reducing non-revenue water by an average of 5% in the 22 dysfunctional municipalities;
- Supporting municipalities to create job opportunities through mainstreaming of labour-intensive construction methodologies in the planning and execution of infrastructure projects;
- Supporting municipalities to increase their percentage allocation of MIG funds towards repair and maintenance of infrastructure;
- Improve spending against MIG allocated funds for the financial year.
- Improve implementation of SPLUMA complaint spatial plans;
- Increase the percentage of households with access to water supply services;
- Improve the status and functionality of water and wastewater treatment plants in identified dysfunctional water services authorities (WSAs);
- Increase the percentage of households with access to solid waste management services;
- Increase the percentage of households with access to electricity supply services.
- Supporting municipalities to reduce electricity demand by 2%;
- Maintenance of roads through pothole patching and cleaning of drainage systems;
- Provision of technical capacity and skills development for improved service delivery; and
- Support municipalities with implementation of flood risk resilient infrastructure projects.

All of the above programmes were geared towards supporting municipalities to reduce backlogs and improve service delivery, through conducting infrastructure assessment and analysis, provision of technical support to plan, deliver, operate and maintain infrastructure, as well as development of technical skills.

Whilst the assessment on infrastructure condition and technical capacity assessment was continued in the 22 selected dysfunctional municipalities. This work was done jointly with South Africa Local Government Association (SALGA), Department of Water and Sanitation (DWS) to develop the Blue and Green Drop improvement plans and these were completed in December 2022.

MISA committed to undertaking conditional, functionality assessment and implementation of the improvement plans from critical to high-risk rating of the water service authorities with critical risk rating (CRR) water and wastewater treatment works in terms of the Blue and Green Drop Report issued in 2022.

This target was achieved for water treatment works in 17 of the 22 (77,27%) dysfunctional municipalities by the 30th March 2024. A lower achievement was attained for wastewater treatment works in 8 of 22 (36,36%) dysfunctional municipalities. The lessons learned from this is that challenges related to water, and wastewater treatment works range from technical capacity, management support, plants operating beyond their design capacity, water quality compliance and effluent quality monitoring programme implementation. These challenges have been left for too long since the last implementation of the Blue, Green and No Drop Programme in the last ten years. The state of municipal infrastructure in general and quality of services has deteriorated. The commitments made by the Water Service Authorities, the regulatory department supported by MISA, SALGA and private sector is that these improvements will show off over the MTEF period.

During the 2023/24 financial year 22 local municipalities were supported with improved infrastructure procurement practices applying various procurement strategies. Four plans towards spatial transformation in the Eastern Seaboard Region (ESD) were completed, in addition to four catalytic projects prepared for investment mobilisation within the ESD region. Ten districts' spaces with identified infrastructure related intervention were supported with implementation. 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.

Whilst the national performance of WSA's declined further in reducing the Non-Revenue Water due to issues of lack of budget to implement existing strategies, MISA collaborated with other partners like Development Bank of Southern Africa (DBSA), Japana International Cooperation Agency (JICA) and SALGA to formulate structured support to 22 WSA municipalities that needs imminent attention. Action plans have been developed to address the deficiencies identified in the drop report, and overtime, there will be impact realised to reduce the non-compliance notices issues by DWS. Utilising infrastructure grants in particularly MIG and working with the existing systems like Rural Roads Asset Management System (RRAMS) and Urban Road Asset Management System (URAMS), MISA has made inroads in addressing the dilapidated road network and for the 2023/24 FY, over 200km of roads have received rehabilitation and associated road infrastructure like stormwater drainage and roads furniture was also upgraded. MISA assisted 10 municipalities through the programme of Energy Efficiency Demand Side Management (EEDSM) to reduces the cost of energy acquisition and the associated penalties by continuously monitoring energy use and managing appliance schedules and focus was on three components that are (i) Demand response (DR), (ii) distributed energy resources (DER), and (iii) energy efficiency (EE).

In the 2023/24 financial year, technical skills programmes undertaken ware aimed at upskilling and reskilling municipal officials who are responsible for municipal infrastructure planning, delivery, operation and maintenance. At the same time, skills development programmes for unemployed youth were implemented with the view to creating a technical skills pipeline for local government. Although these capacity building initiatives prioritised the 22 dysfunctional municipalities, opportunities were also given to participants in other municipalities across the country.

The capacity building initiatives undertaken since 2019/20 towards achieving the five-year skills development targets include:

- A total 1 481 skills development opportunities offered to unemployed youth through the candidacy, apprenticeship and experiential learnership programmes.
- 462 bursary opportunities offered to unemployed students who were studying towards obtaining technical qualifications that are relevant for municipal infrastructure planning, delivery, operation and maintenance.
- 2 326 municipal officials attended technical training infrastructure management courses.
- 434 municipal officials were enrolled in the MISA Recognition of Prior Learning (RPL) Programme for assessment and skills gap training (at National Qualifications Framework (NQF) Levels 2 to 4) towards receiving formal qualifications.

# 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.

***Intergovernmental Relations and 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 Management (GICTM)*** performs information communication technology business enablement and governance services. It is also responsible for information and knowledge management function.

***Internal Audit Support 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, Compliance 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 Support 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 Organisational Development Support Services*** provides human resource administration and development services. It is also responsible for labour relations and employee wellness services within the organisation.

***Legal Support 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 Support 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 Support Services

Financial Management Support 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):

- A capable and ethical government; and
- Functional, efficient and integrated government.

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

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Improved governance, administrative support system and ethical practices. | Approved ethics management plan implemented | Percentage implementation of ethics management plan | New | New | 100% implementation of ethics management plan | **Achieved** 100% implementation of ethics management plan. | N/A | N/A |
| | Implementation of the approved Corporate Services Improvement Plan (CSIP) | Percentage implementation of the approved corporate services improvement plan | New | New | 90% implementation of approved CSIP by 31 March 2024 | **Not Achieved** 86% implementation of the approved corporate services improvement plan by 31 March 2024 | -4% | There was a delay in appointing a service provider to conduct the climate survey as a result of bidders not being responsive. This in turn resulted in the survey being initiated late. |
| Functional, efficient and Integrated Government | Unqualified audit opinion on annual financial statements | Achieve unqualified audit opinion on annual financial statements | Achieve unqualified audit opinion on annual financial statements 2020/21 | Achieve unqualified audit opinion on annual financial statements 2021/22 | Unqualified audit opinion on annual financial statements 2022/23 | **Achieved** Achieved Unqualified audit opinion on annual financial statements 2022/23 | N/A | N/A |

**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. The programme also achieved 100% implementation of all its planned deliverables within its approved ethics management plan.

**Linking Performance with Budget**

| Programme | 2023/24 | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| | 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 | 106 834 | 93 130 | 13 704 | 86 736 | 84 697 | 2 039 |

The overall spending against the budget allocation for Administration Programme was 87% as at the end of the financial year. Approximately 46% of actual expenditure was on the cost of employees (COE) with the balance going to goods and services. Two of the three output targets under the programme were achieved representing 67% performance level. While actual expenditure contributed to the achievement of these output targets, a disproportionate amount of the allocation for goods and services relates to the acquisition infrastructure and services that support the entity's operations and business enablement. These include mainly IT infrastructure and services, leasing of office accommodation, equipment leasing, security and cleaning services, among others. Underspending for this programme is attributable mainly to delays in the procurement of certain services due to the cost containment measures instituted by the National Treasury during the year.

**Strategy to Overcome Areas of Under Performance**

The under-performance in terms of the indicator dealing with 90% implementation of approved CSIP by 31 March 2024, was as result of delays in the appointment of a service provider to conduct the climate survey. The appointment was finalised in the fourth quarter which resulted in the process being initiated in that quarter. The climate survey was conducted during the fourth quarter but only finalised and a report issued in the 1st quarter of the 2024/25 financial year. An action plan has been developed and implementation will begin during the first quarter of the 2024/25 financial year.

## 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: he 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 Planning, Delivery and Maintenance

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 Infrastructure Planning, Delivery and Maintenance (IPDM) subprogramme 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: Capacity Building Programme

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;
- Quality and quantum for infrastructure investment to support growth and job creation improved;
- Efficiency in infrastructure management;
- 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 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Effective water management system for the benefit of all | Reduced non-revenue water in dysfunctional municipalities | Number of dysfunctional municipalities reducing non-revenue water by average of 5%. | 10 | 20 | 22 municipalities reducing non-revenue by 5% on average | **Not Achieved** | -22 | The national average reduction is 5% and across the board the figure has instead increased from 41% to 46.8%. The municipalities cited lack of budget to address Non-Revenue Water reduction strategies |
| Quality and quantum for infrastructure investment to support growth and job creation improved. | Dysfunctional municipalities increasing job creation through mainstreaming LIC on Municipal infrastructure projects. | Number of dysfunctional municipalities achieving EPWP Infrastructure Sector job opportunities allocations through the mainstreaming of LIC methods. | 19 | 25 | 25 municipalities achieve their respective EPWP Infrastructure Job opportunities allocation through mainstreaming of LIC methods | **Not Achieved** | -25 | Municipalities not reporting their actual performance against EPWP infrastructure sector job opportunities targets. |
| Efficiency in infrastructure management | Improved municipal infrastructure asset management practices | Number of dysfunctional municipalities with increased MIG allocations for repairs & maintenance (given benchmark and baseline) using 10% of their MIG allocations. | New | New | 10 municipalities with increased allocation of MIG funding for municipal infrastructure repairs and maintenance utilising 10% of their MIG budget | **Achieved**<br>10 municipalities with increased allocation of MIG funding for municipal infrastructure repairs and maintenance utilising 10% of their MIG budget supported. | N/A | N/A |

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Efficiency in infrastructure management | Improved expenditure on MIG for dysfunctional municipalities | Achieve 85% spending level on MIG allocations for dysfunctional municipalities | 44 | 44 | 60% of 2023/24 MIG allocations spent on municipal infrastructure by 31 March 2024<br><br>85% of 2023/24 MIG allocations spent on municipal infrastructure by 30 June 2024. | **Achieved**<br><br>64.48% of 2023/24 MIG allocations spent on municipal infrastructure by 31 March 2024. | +4.48% | Because of Risk Adjusted Strategy implemented in other provinces and the intervention like MIG 6B, re-gazetting to Districts, etc. are assisting to expedite expenditure and delivery of projects |
| A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas. | SPLUMA compliant municipal spatial plans, policies, structures and systems reviewed. | Number of dysfunctional municipalities with SPLUMA compliant spatial plans implemented. | 30 | 30 | 15 identified dysfunctional municipalities implement SPLUMA compliant spatial plans | **Achieved**<br><br>15 identified dysfunctional municipalities supported to implement SPLUMA compliant spatial plans. | N/A | N/A |
| Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services | Increased households' access to water supply services. | Percentage increase in households with access to water supply services in 22 dysfunctional municipalities | New | New | 3% increase in households with access to basic water supply services in identified 22 dysfunctional municipalities | **Not Achieved** | -22 | Targeted municipalities not able to fund implementation of planned projects |

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services | Improved functionality of dysfunctional Wastewater and Water Treatment Works (WWTWs) | Number of dysfunctional Water Service Authorities (WSA) with Dysfunctional (Critical Risk) Wastewater Treatment Works (WWTWs) improved to High Risk WWTWs | New | New | 22 dysfunctional WSAs with dysfunctional WWTWs improved to High Risk WWTWs. | **Not Achieved** | -22 | Improvements on targeted Wastewater Treatment Works (WWTWs) not funded. |
| | | Number of dysfunctional Water Service Authorities (WSA) with Dysfunctional (Critical Risk) Water Treatment Works (WTWs) improved to High Risk WTWs. | New | New | 22 dysfunctional WSAs with dysfunctional WTWs improved to High Risk WTWs. | **Not Achieved** | -22 | Improvements on targeted Water Treatment Works (WTWs) not funded. |
| | Increased household to Waste Management services | Percentage increase in households with access to solid waste removal services in the identified 22 dysfunctional municipalities | New | New | 2% increase in households with access to waste removal services in identified 22 dysfunctional municipalities | **Not Achieved** | -22 | Targeted projects not funded. |

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services | Increased household access to Electricity Provision | Percentage increased in households with access to electricity supply services in the identified 22 dysfunctional municipalities | New | New | 2% increase in households with access to electricity supply services in identified 22 dysfunctional municipalities | **Not Achieved** | -22 | Targeted municipalities not able to fund implementation of planned projects. |
| | | Number of dysfunctional municipalities with electricity demand reduced by 10% | New | New | 22 dysfunctional municipalities' electricity demand reduced by 10% respectively. | **Not Achieved** | -22 | Non-achievement was due to the municipalities targeted that had no EEDSM grants. |
| | Improved road maintenance within the dysfunctional municipalities | Kilometres of roads maintained to include potholes patching and drainage cleaning in the 22 dysfunctional municipalities. | New | New | 100 kilometres of roads maintained including potholes and drainage cleaning in the identified 22 dysfunctional municipalities | **Achieved**<br><br>236,71 kilometres of roads maintained including potholes and drainage cleaning in the identified 22 dysfunctional municipalities. | +136,71 km | The over achievement is attributed to three municipalities, which had a combined total achievement of 133,849 km amongst the three of them. |
| | Improved service delivery through technical capacity development in dysfunctional municipalities. | Number of dysfunctional municipalities provided with technical capacity and skills development for improved service delivery. | New | New | 22 municipalities provided with technical capacity and skills development | **Achieved**<br><br>36 municipalities provided with technical capacity and skills development. | +14 | MISA responded to the demand for skills development programmes amongst unemployed youth and municipal officials from other dysfunctional municipalities. |

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services | Improved infrastructure resilience to climate change in dysfunctional municipalities | Number of dysfunctional municipalities with flood risk resilient infrastructure implemented. | New | New | 10 identified dysfunctional municipalities implement flood risk resilient infrastructure | **Achieved**<br>10 municipalities have implemented flood risk resilient infrastructure. | N/A | N/A |

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

The implementation of skills development programmes was negatively affected by the COVID-19 pandemic, particularly in the first two financial years. Despite the setbacks, 27 learners completed their apprenticeship programmes and qualified as artisans, whereas 18 young graduates obtained their professional registration status in the category of Town planning 16 and two (2) Civil Engineering. In addition to the above, MISA also responded to the demand for skills development programmes amongst unemployed youth and municipal officials from other dysfunctional municipalities, with 36 dysfunctional municipalities supported in the 2023/24 financial year.

The set target is being continued over the 2024/25 financial year as well as over the Medium-Term Expenditure Framework (MTEF) period and monthly reporting will proceed until the projects/programme is completed. In a situation where funding is being mobilized, MISA will continue to assist the municipalities in presenting to the relevant funding agencies until their ultimate objective is realized.

Through the implementation of a risk adjusted strategy by MISA in certain provinces and interventions like MIG 6B, re-gazetting to Districts, etc. assisted municipalities to expedite their MIG expenditure and delivery of projects to the communities. Support provided to Land Development Applications (LDA) in addition to the establishment and training of Municipal Planning Tribunals (MPT), resulted in 15 municipalities implementing their Spatial Planning and Land Use Management Act (SPLUMA) plans. Through the support provided by MISA, 10 dysfunctional municipalities were able to implement their flood risk resilient infrastructure to climate change.

**Linking Performance with Budget**

| Programme | 2023/24 | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| | 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 | 241 688 | 186 231 | 55 457 | 321 293 | 320 224 | 1 069 |

Cost of employees accounted for about 77% of the actual expenditure by the Technical Support Services (TSS) programme for the year under review of R186 million. This is mainly because personnel costs for constitute more than half of the programme's total annual budget and the relatively higher underspending on goods and services budget during the year under review. Six out of 14 output targets in the approved annual performance plan (APP) for the year were achieved. This achievement depicts an overall performance for the programme of 43%, which is significantly lower than the actual spending of 77%. A significant proportion of the expenditure pertain to the payment of salaries for technical professionals who embarked on the provision of support to targeted municipalities. Notwithstanding that the programme fell short of achievement most of its performance targets for the year, substantial efforts were expended by these professionals in respect to all performance indicators in the approved APP. More than 80% of the underspending amount was against goods and services budget due to delays in projects implementation in the wake of the cost containment measures imposed by National Treasury.

**Strategy to Overcome Areas of Under Performance**

The supported municipalities cited lack of budget to address Non-Revenue Water (NRW) reduction strategies. Budget prioritisation by targeted municipalities is what limited the achievement to reduce non-revenue water by an average of 5%. To overcome underperformance on this indicator there is a need for provision of funding by MISA instead of banking on the municipal funding which is not sufficient. Consistency in selected municipalities for support is critical as the indicator spans over a period of 5 years. NRW incorporates both technical (water losses) and financial part (billing processes), however, MISA is only able to support the technical part of the losses. Thus, there is a need of an integrated approach to ensure that supported municipalities can perform on the financial aspects of the NRW.

Underperformance on the indicator dealing with municipalities achieving their respective EPWP infrastructure job opportunities allocation through the mainstreaming of LIC methods, was caused by mostly municipalities not capturing data on EPWP and that led to improper reporting on the ERS. Delays by municipalities in the submission of jobs created to the ERS is also a challenge experienced, MISA personnel were unable to access the system in their various provinces contributed to delays on receiving the portfolio of evidence required. MISA provincial employees have since been registered on the ERS so that they can access the records on time.

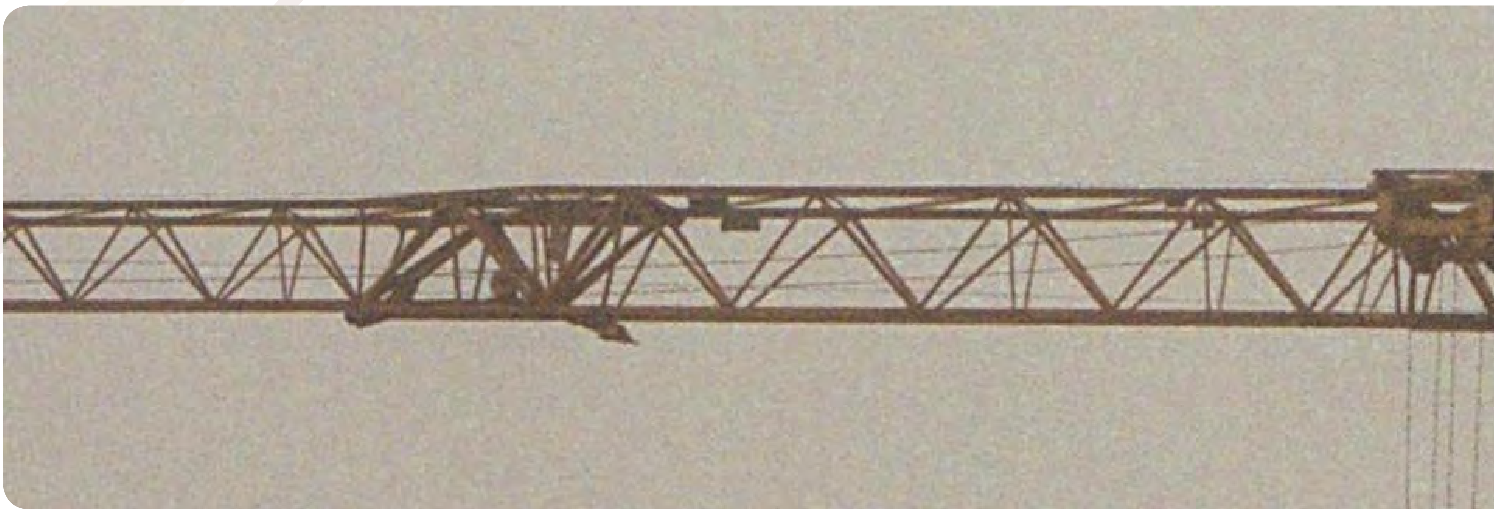
On the indicator that talks to 3% increase in households with access to basic water supply services, most work was focussed on creating improvements on existing connections with improvements of 8,5%, however additional new connections were between 2.3 and 2.99% which is lower than 3%. Performance is dependent on progress on municipal projects and funding which was lower than expected. Improving the reporting template/framework to capture the state of continuous progress as an accurate percentage, especially where work in progress is related to multi-years. Improve on the accuracy of using the reporting guidelines, the Technical Indicator Descriptions (TID), selection of municipalities at the beginning of the financial year and understanding of the work to be reported.

The two indicators dealing with the 22 dysfunctional Water Service Authorities (WSA) with Dysfunctional (Critical Risk) Wastewater Treatment Works (WWTWs) and Water Treatment Works (WTWs) improved to High Risk WWTWs and WTWs, the underperformance was caused by the municipalities not funded and cannot provide funds towards wastewater management and water treatment works, MISA can only support through the development of business plans or planning proposal towards securing funding from MIG and other private and government funding. If the municipality is not funded, it cannot provide funds towards wastewater/water management.

On the access to solid waste removal indicator there was underperformance due to the lack of funds in the identified Municipalities, MISA had to start with the application of the Grants to address the waste services impediments, unfortunately these funds will only be approved and released in the next financial year. In some instances, the funds for the purchase of the Waste Vehicles have been approved by the Department of Forestry, Fisheries and Environment (DFFE), the municipalities were at the tendering stage by the closure of the MISA financial year. MISA can only support through the development of business plans or planning proposal towards securing funding from MIG and other private and government funding. MISA will continue with the same municipalities where the Grants have been applied for and ensure that the acquired Vehicles/Infrastructure deliver the objectives of the indicator. Innovation by embarking on short term mobilisation of the Waste Sector NGO’s, Government and Private Sector to accelerate and expand the removal Waste Services in the identified municipalities. MISA employees will be trained on how to implement Solid waste indicator successfully as it requires innovation.

On the indicator on the percentage increased in households with access to electricity supply services in the identified 22 dysfunctional municipalities, EEDSM grant funding was the most challenging aspect as most of the identified Dysfunctional Municipalities were not funded, and some were not even licenced to distribute electricity. The indicator has to change to look at reducing backlogs and be reviewed to look at average achievement rather than individual achievement. All municipalities supported to have grant funding with reference to the Division of Revenue Act (DORA) or inhouse funding. MISA will look at including 6B projects as part of the support and reporting on this indicator.

On the indicator dealing with dysfunctional municipalities with electricity demand that should be reduced by 10%, EEDSM grant funding was the most challenging aspect to most Municipalities. All municipalities supported on this indicator must have grants or inhouse funding to achieve this Key Performance Indicator (KPI). Number of municipalities supported on this indicator needs to be reviewed taking into consideration only those with EEDSM funding based on DORA. Instead of concentrating on the Dysfunctional Municipalities, the focus should be more on the selected Municipalities to avoid non-achievement.



## 3.3 PROGRAMME 3: INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT SERVICES

Purpose: The purpose of the Infrastructure Delivery Management Support Services (IDMS) 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: Programme and 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 Contract 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.

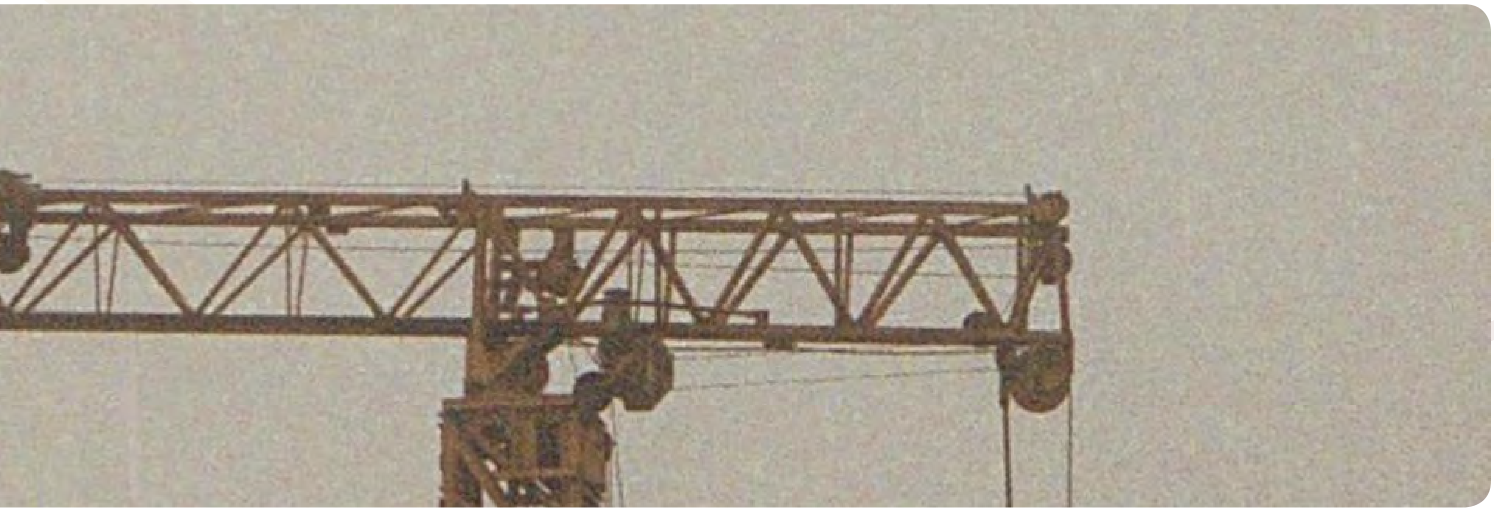
### 3.3.3 Sub-programme: Infrastructure Financing

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;
- A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas;
- Enhanced intergovernmental and interdepartmental coordination through the implementation of the DDM; and
- Quality and quantum for infrastructure investment to support growth and job creation improved.



| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Efficiency in infrastructure management | Improved compliance to infrastructure procurement legislation | Number of dysfunctional municipalities with improved infrastructure procurement practices applying various procurement strategies. | 15 | 9 | 22 dysfunctional municipalities applying Framework contracts and other procurement mechanisms | **Achieved**<br><br>23 Dysfunctional municipalities with improved infrastructure procurement practices applying various procurement strategies. | +1 | The additional municipality was factor in our support plans due to a request from the municipality to support them on their infrastructure procurement practices. |
| A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas. | Approved intergovernmental implementation plans and financing of the Eastern Seaboard Development | Number of Plans towards spatial transformation in the Eastern Seaboard Region completed. | 1 | 1 | 4 plans towards spatial transformation in the Eastern Seaboard Region completed. | **Achieved**<br><br>4 Plans towards spatial transformation in the Eastern Seaboard Region completed. | N/A | N/A |
| | Catalytic projects prepared for investment within the ESD | Number of catalytic projects prepared for investment mobilisation within ESD region. | New | New | 4 catalytic projects prepared for investment mobilisation within ESD region. | **Achieved**<br><br>4 catalytic projects prepared for investment mobilisation within ESD region. | N/A | N/A |

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from Planned Target to Actual Achievement for 2023/24 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Enhanced intergovernmental and interdepartmental coordination through the implementation of the DDM. | Alignment of intergovernmental planning efforts for the co-ordination of resources for improved service delivery though the DDM. | Number of dysfunctional district and metro spaces with identified infrastructure related interventions implemented. | New | New | 10 District and metro spaces with identified infrastructure related interventions implemented. | 10 District and metro spaces with identified infrastructure related interventions implemented. | N/A | N/A |
| Quality and quantum for infrastructure investment to support growth and job creation improved. | Municipalities with access to funding through leveraging of national transfers to unlock private sector investments. | Increased municipal infrastructure investment through innovative blended financing mechanisms. | New | New | 5% increase in infrastructure investments for dysfunctional municipalities | **Not Achieved** | -5% | The projects that have been prioritised for packaging to meet the requirements of BFI were only finalised in April 2024. Prioritised municipalities (dysfunctional) did not have the appetite to implement solutions which involved lending or conditional grant commitments but prefer free money in the form of grants. |

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

During the 2023/24 financial year a strategic decision was taken to focus the support on the 22 prioritised dysfunctional/poor performing municipalities, identified in the State of Local Government report. The programme supported 23 poor performing municipalities on procurement and delivery of infrastructure related issues which included amongst others: analysis of Supply Chain Policies to ascertain alignment with legislation, regulations and determined procedures; reviewing of the tender documents of the municipalities to provide guidance and attend to the gaps to avoid non-responsive tenders and cancellations of the tenders and supporting municipalities with effective and efficient procurement and delivery of infrastructure by introducing government adopted Local Government Infrastructure Delivery Management System and Local Government Framework for Infrastructure Delivery and Procurement Management.

The programme supported seven municipalities (in collaboration with strategic partners) with the packaging of the Budget Facility for Infrastructure (BFI) funding application to the value of R5 billion, whilst other seven municipalities were capacitated on packaging of the projects to attract investors. The BFI applications are still to be considered by the Budget Facility office in the National Treasury. Another key achievement for this programme was the development of the DDM Investment Framework to support a total of 10 dysfunctional district and metro spaces with identified infrastructure related interventions.

The programme is also coordinating and leading the development of Eastern Seaboard region, a flagship programme launched by the President of South Africa. During the year under review, the unit completed the fundamental planning work for the region, which included the finalisation of the Regional Spatial Development Framework, Transport Master Plan, Renewable Energy Feasibility study and the Regional Master Plan to facilitate project initiation, development and implementation of critical infrastructure to address the region's infrastructure needs. Four catalytic projects (spread across the four district municipalities anchoring the Eastern Seaboard Development) were prepared to bankability for investment mobilisation to accelerate the development of infrastructure required in the region.

**Linking Performance with Budgets**

| | 2023/24 | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| Programme | Budget | Actual Expenditure | (Over)/Under Expenditure | Budget | Actual Expenditure | (Over)/Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| IDMS | 129 469 | 37 844 | 91 625 | 232 773 | 171 194 | 61 579 |

Actual expenditure against the budget allocated to the Infrastructure Delivery Management Support (IDMS) programme was very low in the year under review. The total budget for the programme included an amount of R97,2 million ring-fenced for the Eastern Seaboard Development (ESD) programme, which comprises an allocation of R50 million for the year and R47,2 million retained from the previous year's allocation. Actual spending for the year contributed to the achievement of four of the five annual performance targets in the approved APP. Total spending against the total available budget for the ESD programme was R18 million resulting in significantly high underspending of R79,2 million for year. This amount is the main driver of underspending for the programme. A large proportion of this amount was earmarked for service delivery projects in the ESD regions that spans five districts across both Kwazulu-Natal and Eastern Cape Provinces. There were delays in the implementation of this projects due to the cost containment measures.

**Strategy to Overcome Areas of Under Performance**

Strengthening of partnerships will be prioritised to compliment the available resources for supporting municipalities. The programme will review and revise the output indicators with a specific focus on aligning the technical indicators description and annual operation plan to ensure that the targets are realistic and achievable. Lastly the programme will target the same municipalities that were supported during the year under review to ensure that the full impact of the support done is realised.

# 4. REVENUE COLLECTION

| Sources of revenue | 2023/2024 | | | 2022/2023 | | |
|---|---|---|---|---|---|---|
| | 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 | - | 1 095 | (1 095) | - | 164 | (164) |
| Interest Received | - | 11 927 | (11 927) | - | 12 766 | (12 766) |
| Total | - | 11 927 | (11 927) | - | 12 930 | (12 930) |

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 was established as a Schedule 3C under the Public Service Act, (Proclamation 3 of 1994). It is an entity of the Department of Cooperative Governance directly accountable to the Minister of Cooperative Governance and Traditional Affairs as the designated Executive Authority in terms of the legislation. 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.

The Head of MISA is the designated accounting officer (AO) for the entity as envisaged under section 36(3)(b) of the PFMA. MISA 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 (Operational Notice). The rationale for reporting through the DCoG is to enable the Director-General to evaluate the of the entity to enable effective execution of oversight responsibility by 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. Section 7A (4) of the Public Service Act (PSA) confers the discretionary powers to the Minister to exercise the option of establishing an advisory body for a government component without assigning 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

As part of the Cooperative Governance and Traditional Affairs (CoGTA) Portfolio, MISA is required to account to Parliamentary Committees tasked with oversight responsibilities over matters of provincial and local government in the country. To give effect to this accountability, Parliamentary Committees invite CoGTA entities to appear before them at scheduled meetings. The purpose of such appearances is mainly to present plans and/or update on the implementation of programmes to support municipalities towards improvement in the delivery of municipal infrastructure and related matters. The table below shows the Committees before which MISA appeared during the year under review, dates of meetings and progress in addressing issues of concern raised at the meetings.

| COMMITTEE | DATE OF MEETING | FOCUS AREA | AREAS OF RISK | REMEDIAL ACTIONS IMPLEMENTED |
|---|---|---|---|---|
| Portfolio Committee on Cooperative Governance and Traditional Affairs (CoGTA) | 18 April 2023 | Presentation of Annual Performance Plan of MISA (APP) for 2023/24 | Municipalities should play a role in addressing the challenges of aging and delipidating infrastructure across the country. | MISA provided support to municipalities around the utilisation of at least 10% of their Municipal Infrastructure Grant (MIG) allocations on infrastructure repairs and refurbishment. |
| Select Committee on Cooperative Governance and Traditional Affairs (Water, Sanitation and Human Settlement) | 02 May 2023 | Presentation of Annual Performance Plan (APP) of MISA for 2023/24 | None | N/a |
| Portfolio Committee on Cooperative Governance and Traditional Affairs (CoGTA) | 11 October 2023 | Presentation of MISA Annual Report for 2022/23 Financial Year | The Committee expressed concern about delays in assisting affected communities under Port St Johns municipality in the Eastern Cape Province facing water supply challenges and forced walk more than 20 Kilometres to fetch water from the river. | To alleviate the plight of affected community MISA plan to install a borehole during the next financial year. This process was delayed due to challenges encountered in the appointment of a service provider to implement the project. |

# 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 2022/23 Performance Report | 28 April 2023 | N/A | N/A |
| First Quarter 2023/24 Performance Report | 31 July 2023 | MISA first quarter report to be discussed at the next MINEXCO. | Report was tabled and discussed at the following MINEXCO meeting. |
| Second Quarter 2023/24 Performance Report | 31 October 2023 | N/A | N/A |
| Annual Report 2022/23 | 14 September 2023 | N/A | N/A |
| Third Quarter 2023/24 Performance Report | 31 January 2024 | N/A | N/A |

# 4. THE ACCOUNTING AUTHORITY / BOARD

Notwithstanding that a government component is not permitted to establish a board of directors with the necessary executive authority, Section 7A (4) (e) of the Public Service Act, 1994 (Proclamation 103 of 1994) provides for an option of establishing an advisory board for government component at the discretion of the relevant Executive Authority. In terms of the provisions of this section, the advisory board of a government component should be established without executive functions and powers. Since the establishment of MISA, the option of establishing an advisory board for the entity has not been exercised.

# 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 risk associated therewith. The Risk Management Policy and Strategy is reviewed regularly by the Risk Management Committee.

MISA conducted and reviewed its strategic, operational and fraud risks, a process which assist 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 with MISA adopted strategy and its risk profile. The Audit Committee and Risk Management Committee reviewed and monitored risk management progress reports on a quarterly basis and continuously provides recommendation for improvement. Internal Audit function provides assurance on the effectiveness of the risk management processes.

# 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.
- Maintains the register for irregular, fruitless and wasteful expenditure and assists in strengthening the internal control within the Department.
- 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 provides 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 peer quality assessment review of the Internal Audit activity for the 2022/23 financial year in accordance with the IIA standards and the Internal Audit Methodology and the report was issued and tabled at the Audit Committee meeting. Recommendations contained in the report are being implemented incrementally in preparation for the external quality assurance review.

## 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 2024 as follows:

| Auditable Area | Assessment by Internal Audit |
|---|---|
| 1. Annual Financial Statements (AFS 2022/23) | Adequate and Effective |
| 2. Consulting Review on the Annual Performance Report 2022/23 | Needs Improvement |
| 3. Audit of Predetermined Objectives (AOPO Q1-Q4) | Needs Improvement |
| 4. Review of Post Audit Action Plan (PAAP Q3 & Q4) | Needs Improvement |
| 5. Review on the IT Governance | Needs Improvement |
| 6. Review of Cyber Security | Needs Improvement |
| 7. Review on the IT General Controls | Needs Improvement |
| 8. Review of Risk Management | Needs Improvement |
| 9. Review of Project Management | Not Adequate |
| 10. Review of IDMSC Technical Services | Needs Improvement |
| 11. Review of Ethics Management | Needs Improvement |
| 12. Review of IDMSC monitoring | Needs Improvement |
| 13. Review of Internal Budgeting | Adequate and Effective |
| 14. Review of Post Audit Action Plan (PAAP Q1 & Q2) | Needs Improvement |
| 15. Review of Funding Initiatives | Adequate and Effective |
| 16. Consulting review for Infrastructure Assessment and Analysis | Needs Improvement |
| 17. Consulting review draft Annual Performance Plan for 2024/25 FY | Needs Improvement |
| 18. Interim Financial Statements (IFS 2023/24) | Adequate and Effective |
| 19. Review of Infrastructure projects | Needs Improvement |
| 20. Review of Supply Chain Management | Adequate and Effective |
| 21. Review of the Stakeholder Management | Needs Improvement |
| 22. Review of Technical Skills | Adequate and Effective |

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 Improvement

**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. A review on the effectiveness of risk management was conducted during the year under review. The review concluded the process is adequate but ineffective. Improvements are needed to direct the effectiveness of the entire risk management system.

The Strategic Risk Assessment for 2023/24 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. Through the Combined assurance process the result indicated that there is still room for improvement to mitigate the risk to an acceptable level.

**Internal Controls -** Need Improvements

The audit reviews undertaken in 2023/24 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 partially implemented and thus indicate that the system of internal controls was adequate and need improvements to achieve the desired objectives.

## 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),<br>Masters (Information Technology) (University of Pretoria)<br>BSC Hons (Computer Science), (UJ)<br>Bachelor of Information Technology, (Bond University),<br>Certified Information Systems Auditor (CISA),<br>Certified Information Security Manager (CISM),<br>Certified Information System Security (CISSP),<br>Lead Auditor ISO 27001(LA ISO 27001),<br>Certified in the Governance of Enterprise Information Technology (CGEIT)<br>Certified in Risk and Information Systems (CRISC),<br>Certified Ethical Hacker (CEH),<br>Computer Hacking Forensic Investigator (CHFI), and Certified Data Privacy Solutions Engineer (CDPSE) | External Member | Member appointed on 01 July 2020 | N/A (Member contract expired on 30 September 2023) | 4 |

| Name | Qualifications | Internal or External | Date Appointed | Date Resigned | No. of Meetings Attended |
|---|---|---|---|---|---|
| Ms N Lubanga | National Diploma (Internal Auditing) (Walter Sisulu University),<br>BCom (Internal Auditing) (UNISA),<br>Executive Development Programme (WITS),<br>Postgraduate Diploma Internal Auditing (UNISA),<br>Postgraduate Diploma General Management (GIBS),<br>Internal Control and Risk Management (University of Pretoria) | External Member | Member appointed on 01 July 2020 | N/A<br>(Member contract expired on 30 September 2023) | 4 |
| Mr L Makibinyane | B.ENG (Hons) (University of Teesside) Post Graduate Certificate (MDP) UNISA<br>MBL (UNISA) | External Member | Member appointed on 01 July 2020 | N/A<br>(Member contract expired on 30 September 2023) | 4 |
| Ms C Abdoll | (CA) SA<br>BCompt Honours (UNISA),<br>BCom (University of Western Cape),<br>Postgraduate Diploma: Certified Internal Auditing (IIA) | External Member | Member appointed on 01 May 2021 | N/A | 6 |
| Mr S Gounden | (CA) SA,<br>Chartered Director (SA),<br>Postgraduate Diploma in Accountancy (UDW),<br>BCompt (UNISA) | External Member | Member appointed on 01 May 2021 | N/A | 6 |
| Mr S Ngobeni | BCompt (Hons), master's in business administration (MBA), master's in commerce, Registered Government Auditor (RGA) | External Member | Member appointed on 1 December 2023 | New Member | 2 |
| Ms P Mzizi | Bachelor of Accounting Science, BCompt (Hons), CA(SA) | External Member | Member appointed on 1 December 2023 | New Member | 2 |
| Mr S Badat | BCom, Chartered Accountant CA(SA) | External Member | Member appointed on 1 December 2023 | New Member | 2 |

# 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 possible eradication of incidences of fraud and misconduct. It also confirms MISA commitment to legal and regulatory compliance. The fraud risk assessment was conducted during the period under review and quarterly monitoring conducted to ensure fraud mitigation strategies are implemented. 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 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 MISA fraud report email and the National Anti-Corruption Hotline managed by Public Service Commission. All cases reported are registered in MISA Complaint`s 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

All employees are provided with and are required to sign a copy of the Code of Conduct for the Public Service ("the Code") upon resumption of duty. Employees are advised to read the contents thereof and engage with the Chief Risk Officer where clarity is sought. Moreover, an Ethics Management Strategy was developed and approved for MISA. Information on the Ethics Management Strategy and other areas of ethics is circulated through the MISA Communication every now and then to make employees aware thereof.

# 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Occupational Health and Safety Policy was reviewed during the period under review to in the main correct references to the Occupational Health and Safety Act, Act 85 of 1993 ("OHS Act") as well as to require that the OHS Committee must make recommendations to the CD: CMS; that the OHS Committee conduct OHS inspections on a quarterly basis; that the Health & Safety Representatives must be appointed, in writing by CEO instead of CD: CMS and that MISA must co-ordinate fire drills and evacuations once in a year.

MISA complies with the OHS Act and to this end two (2) health and safety representatives have been designated, and the Occupational Health and Safety (OHS) Committee established. The OHS Committee meets quarterly and conduct site inspection to ensure that there are no hazards, and where there are, they are mitigated as soon as practicable. Site inspections include the inspection of fire and first aid equipment to ensure that such equipment is in working order. Fire fighters and first aiders are also designated. It has been agreed with labour that evacuation drills be conducted every six (6) months, and they are conducted accordingly. Training is provided to the designated employees to ensure that they fully understand and can discharge their responsibilities.

# 13. COMPANY /BOARD SECRETARY

As a government component, MISA is not required to appoint a company secretary since the relevant legislation does not provide for the establishment of a board of directors. The legislation provides only for the establishment of an advisory board without executive powers as an option to be exercise at the discretion of the Minister. Even this option of establishing an advisory has not been taken in respect of MISA to date.

# 14. SOCIAL RESPONSIBILITY

MISA did not undertake activities or fund any initiative towards the fulfilment of its social responsibility in the year under review.

# 15. REPORT OF THE AUDIT COMMITTEE

We are pleased, as the Audit Committee, to present our report for the financial year ended 31 March 2024.

## 15.1 Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

In terms of the approved Terms of Reference (Audit Committee Charter), six meetings were held during the current year, i.e. four meetings to consider the Quarterly Performance Reporting (financial and non-financial) and two meetings to review and discuss the Annual Financial Statements, the Annual Performance Report, the Annual report of the Department and the Auditor-General of South Africa's (AGSA) Audit and Management Reports.

No complaints about the financial and non-financial reporting were brought to the attention of the Audit Committee. The Audit Committee has met with the Accounting Officer for the institution and Internal Audit to discuss actions to be taken to address the internal control deficiencies. The Audit Committee has also met with the AGSA to ensure that there are no unresolved issues. Furthermore, the committee is satisfied that the AGSA was independent of the institution.

The Committee is of the view that the framework in place for combined assurance is adequate and is achieving the objective of an effective, integrated approach across the disciplines of risk management, compliance and audit. The Committee has reviewed the current performance and future requirements for the financial management of the institution and concluded that the current team has the appropriate skills, experience and expertise required to fulfil the finance function. The Committee critically reviewed the documents prepared by management in which they assessed the going concern status of the institution. Management has concluded that the institution is a going concern. The Committee concurred with management's assessment and recommended acceptance of this conclusion.

## 15.2 The Effectiveness of Internal Control

Based on the results of the formal documented review of the design, implementation and effectiveness of the department's system of internal controls conducted by the internal audit, and Auditor- General of South Africa (AGSA) during the financial year ended 31 March 2024, and in addition, considering information and explanations given by management plus discussions held with the external auditor on the results of their audit, the Audit Committee concluded that the department's system of internal financial controls (including ICT controls) is fully effective as no material internal control breaches come to the Committee's attention.

The Committee has satisfied itself that the internal audit function was appropriately independent. The internal audit charter and the internal audit plan were approved by the Committee. Internal audit has access to the Committee, primarily through its chairperson. After considering the items listed below, the Audit Committee concluded that internal audit performance and effectiveness is satisfactory:

- Reviewed and approved the annual Internal Audit plans and evaluated the independence, effectiveness and performance of the internal audit function;
- Considered the reports of the Internal Auditors on the institution's systems of internal controls;
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto;

The Audit Committee will continue to monitor the resources and capabilities of the Internal Audit function as this has an impact on the audit of performance information.

The Audit Committee reviewed the institution's policies on risk management and strategy (including IT Governance) and monitored the implementation of risk management policy and strategy and concluded that institution's risk management maturity level is satisfactorily.

## 15.3 In-Year Management and Monthly/Quarterly Reports

Based on the quarterly review of in-year monitoring systems and reports, the Audit Committee is satisfied with the quality, accuracy, usefulness, reliability, appropriateness, and adequacy of the department in-year reporting systems.

The Audit Committee considered reports provided by management, internal assurance providers and the independent auditors regarding compliance with legal and regulatory requirements and concluded that the department did materially comply with the enabling laws and regulations as well as its institutional policies and standard operating procedures.

Furthermore, the Committee confirms that there was no irregular and fruitless and wasteful expenditure incurred during the period under review.

## 15.4 Evaluation of the Annual Financial Statements and Annual Performance Report

Following the review by the Audit Committee of the Annual Financial Statements for the year ended 31 March 2024 before and after the audit, the Audit Committee is of the view that, in all material respects, it complied with the relevant provisions of the PFMA and GRAP and fairly presents the financial position at that date and the results of its operations and cash flows for the year then ended.

Following the review by the Audit Committee of the Annual Performance Report for the year ended 31 March 2024 before and after the audit, the Audit Committee is of the view that, in all some respects, the department complied with the relevant provisions of the PFMA and Framework for Managing Programme Performance Information (FMPPI) and fairly presents the performance of the institution at that date. Furthermore, the Audit Committee advised management to develop a turnaround plan to address the under achievements contained in the report.

## 15.5 Auditor-General of South Africa (AGSA) Report

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and Annual Performance Report, which is the clean or unmodified audit opinion with no findings (unqualified audit with no material findings). Consequently, the Audit Committee is of the opinion that the audited annual financial statements and annual performance report be accepted and read together with the report of the Auditor-General.

For having achieved unqualified audit opinion with no findings for the financial year, the Audit Committee commend Honourable Minister and Deputy Minister, Director-General, the Chief Executive Officer and staff for maintaining an unqualified audit opinion.

### CONCLUSION

The Audit Committee wishes to acknowledge the commitment and support of the Honourable Minister, Deputy Minister, Portfolio Committee, Director-General, Chief Executive Officer and her staff, AGSA staff, and Internal Audit of the entity. The political and administrative leadership stability in the department played ultimate and big role towards an improved and positive financial and non-financial performance.

**Mr. Stanley Ngobeni**

Chairperson of the Audit Committee

Date: 31 July 2024

# 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 is fully aligned with Preferential Procurement Policy Framework Act and its Regulations, 2022 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/certificate 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 2023/24 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 2024, a total of 181(86%) posts were filled which resulted in 14% vacancy rate. A proportion of filled posts under the Technical Support Services Branch, are the Professional (Engineers) which is standing at 90% (76 of 84). For the Senior Management Services (SMS) category, 79% (31 of 39) of the approved posts were filled with a significant improvement of 55% target for women in SMS achieved at the end of the year under review.

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

Employee performance and rewards within the entity are effectively and efficiently 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 2023/24 and finalisation of 2022/23 Performance Assessments, respectively. MISA is currently participating in the Department of Cooperative Governance's (DCoG) contract for Employee Health and Wellness programme until 31 July 2025 to promote employee health and wellness, working environment that is conducive for productive performance whilst maintaining work life balance and improve organisational effectiveness. 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 approval of the MISA realigned organisational structure that was concurred by Minister of Public Service and Administration (MPSA) with 245 posts, and it is envisaged that all new posts will be funded from the financial year 2024/25 onwards. cabinet concurrence on the appointment of the Chief Executive Officer. The significant improvement of the equity target for women at SMS level to 55% and staff retention particularly for the Technical Support professionals which is 90% (76 of 84) of posts filled at the end of the year under review. The vacancy rate is at 14% with 86% (181 0f 210) posts filled by end of the period under review. The participation in the Employee Health and Wellness Programme which successfully conducted a climate survey by 31 March 2024. 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 mandatory disability target achieved remains at 1% and HRM&D continues to ensure that the 2% is achieved. 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 | 93 130 | 43 347 | 47% | 67 | 647 |
| Technical Support Services | 186 231 | 138 707 | 74% | 290 | 478 |
| IDMS | 37 844 | 14 243 | 38% | 12 | 1 187 |
| **Total** | **317 205** | **196 297** | **62%** | **369*** | **532** |

*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 | 3 862 | 2% | 2 | 1 931 |
| Senior Management | 42 055 | 21% | 29 | 1 450 |
| Professional qualified | 101 009 | 52% | 101 | 1 000 |
| Skilled | 11 415 | 6% | 21 | 544 |
| Semi-skilled | 10 077 | 5% | 27 | 373 |
| Unskilled | 329 | 0% | 1 | 329 |
| Temporary employees | 27 549 | 14% | 188 | 147 |
| **Total** | **196 297** | **100%** | **369** | **532** |

**Performance Rewards**

| Programme//activity/objective | Performance rewards | Personnel Expenditure (R'000) | % of performance rewards to total personnel cost (R'000) |
|---|---|---|---|
| Top Management | - | 3 862 | 0% |
| Senior Management | - | 42 055 | 0% |
| Professional qualified | - | 101 009 | 0% |
| Skilled | - | 11 415 | 0% |
| Semi-skilled | - | 10 077 | 0% |
| Unskilled | - | 329 | 0% |
| Temporary employees | - | 27 549 | 0% |
| **Total** | - | **196 297** | **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 2022/23 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 | Average training cost per employee |
|---|---|---|---|---|---|
| Administration | 43 347 | 358 | 1% | 39 | 9 |
| Technical Support Services | 138 707 | 927 | 1% | 101 | 9 |
| IDMS | 14 243 | 83 | 1% | 9 | 9 |
| **Total** | **196 297** | **1 368** | **1%** | **149** | **9** |

**Employment and vacancies**

| Programme/activity/ objective | 2022/2023 No. of Employees | 2023/2024 Approved Posts | 2023/2024 Funded Posts | 2023/2024 No. of Employees | 2023/2024 Vacancies | % of vacancies |
|---|---|---|---|---|---|---|
| Office of the CEO | 18 | 20 | 19 | 17 | 2 | 11% |
| Technical Support Services | 117 | 134 | 126 | 111 | 15 | 12% |
| IDMS | 12 | 15 | 14 | 12 | 2 | 14% |
| Corporate Management Services | 18 | 23 | 22 | 18 | 4 | 18% |
| Financial Management Services | 25 | 29 | 29 | 23 | 6 | 21% |
| **Total** | **190** | **221** | **210** | **181** | **29** | **14%** |

| Programme/activity/ objective | 2022/2023 No. of Employees | 2023/2024 Approved Posts | 2023/2024 Funded Posts | 2023/2024 No. of Employees | 2023/2024 Vacancies | % of vacancies |
|---|---|---|---|---|---|---|
| Top Management | 3 | 3 | 3 | 2 | 1 | 33% |
| Senior Management | 32 | 36 | 34 | 29 | 5 | 15% |
| Professional qualified | 107 | 115 | 115 | 101 | 14 | 12% |
| Skilled | 17 | 24 | 24 | 21 | 3 | 13% |
| Semi-skilled | 30 | 42 | 33 | 27 | 6 | 18% |
| Unskilled | 1 | 1 | 1 | 1 | 0 | 0% |
| **Total** | **190** | **221** | **210** | **181** | **29** | **14%** |

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 remains at 14% as of 31 March 2024 as a result of the implementation of DPSA Circular 49 of 2023 and Directive on the implementation of control measures aimed at assisting Executive Authorities in managing fiscal sustainability during the process of creating and filling vacant posts in departments and government components. The improved mandatory employment equity target of women in SMS level achieved at 55%. The retention of technical support staff (professional engineers) remains at 90% with 76 of the 84 posts filled. The average period for filling posts during the period under review increased to 8 months as a result of the implementation of the DPSA circular 49 of 2023 and the Directive.

**Employment changes**

| Salary Band | Employment at beginning of period | Appointments | Terminations | Employment at end of the period |
|---|---|---|---|---|
| Top Management | 3 | 0 | 1 | 2 |
| Senior Management | 32 | 3 | 3 | 32 |
| Professional qualified | 107 | 4 | 9 | 102 |
| Skilled | 17 | 3 | 4 | 16 |
| Semi-skilled | 30 | 1 | 3 | 28 |
| Unskilled | 1 | 0 | 0 | 1 |
| **Total** | **190** | **11** | **20** | **181** |

**Reasons for staff leaving**

| Reason | Number | % of total no. of staff leaving |
|---|---|---|
| Death | 0 | 0% |
| Resignation | 9 | 45% |
| Dismissal | 1 | 5% |
| Retirement | 2 | 10% |
| Ill health | 0 | 0% |
| Expiry of contract | 6 | 30% |
| Other | 2 | 10% |
| **Total** | **20** | **100%** |

The staff turnover as reported above increased when compared to the previous annual reporting period. Five (5) of the nine (9) recorded resignations were Technical Professionals (Engineers) for better remunerations in the private sector. A dismissal of a senior manager due to misconduct, two (2) transfers to other departments and two (2) mandatory retirements were recorded.

**Labour Relations: Misconduct and disciplinary action**

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

The pending disciplinary case was finalised with a dismissal outcome during the reporting period.

**Equity Target and Employment Equity Status**

| Levels | MALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 12 | 16 | 1 | 2 | 0 | 0 | 0 | 0 |
| Professional qualified | 48 | 59 | 2 | 3 | 4 | 4 | 5 | 5 |
| Skilled | 10 | 14 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 6 | 11 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **78** | **101** | **3** | **5** | **4** | **4** | **5** | **5** |
| **Levels** | **FEMALE** | | | | | | | |
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 15 | 20 | 1 | 2 | 0 | 0 | 0 | 0 |
| Professional qualified | 39 | 50 | 2 | 3 | 0 | 1 | 1 | 2 |
| Skilled | 11 | 18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 21 | 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **87** | **120** | **3** | **5** | **0** | **1** | **1** | **2** |

| Levels | Disabled Staff | | | |
|---|---|---|---|---|
| | African | | Coloured | |
| | Current | Target | Current | Target |
| Top Management | 0 | 1 | 0 | 0 |
| Senior Management | 0 | 1 | 0 | 1 |
| Professional qualified | 0 | 0 | 1 | 1 |
| Skilled | 0 | 0 | 0 | 1 |
| Semi-skilled | 0 | 0 | 1 | 0 |
| Unskilled | 0 | 0 | 0 | 0 |
| **Total** | **0** | **2** | **2** | **3** |

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. The ratio of males: females recorded by end of the reporting period stands at 50: 50. MISA is striving to achieve the gender equity target of at least 50% women at Senior Management echelon with a significant achievement of 55% target on gender equity for women appointed at SMS level, 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 employed. MISA remains committed to ensuring compliance with mandatory employment equity targets of women at SMS level and persons with disabilities. The recruitment process has achieved the vacancy rate at 14% threshold with 181 posts filled against 210 funded posts at the end of the reporting period 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 | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Opening balance | R0,00 | R0,00 |
| Adjustment to opening balance | R0,00 | R0,00 |
| Opening balance as restated | 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 recoverable and written off | R0,00 | R0,00 |
| **Closing Balance** | **R0,00** | **R0,00** |

**Reconciling notes**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure that was under assessment 2022/23 | R0,00 | R0,00 |
| Irregular expenditure that relates 2022/23 to the prior year and identified in the current year 2023/24 | R0,00 | R0,00 |
| Irregular expenditure for the current year | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**b) Details of irregular expenditure (under assessment, determination, and investigation)**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | 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 irregular expenditure condoned.**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure condoned | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**d) Details of irregular expenditure removed - (not condoned)**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure NOT condoned and removed | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**e) Details of irregular expenditure recoverable**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure recoverable | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

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

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | 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 irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| NONE | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**i) Details of disciplinary or criminal steps taken as a result of irregular expenditure**

| Description |
|---|
| NONE |

**1.2. Fruitless and wasteful expenditure**

**a) Reconciliation of fruitless and wasteful expenditure**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Opening balance | R0,00 | R0,00 |
| Adjustment to opening balance | R0,00 | R0,00 |
| Opening balance as restated | R0,00 | R0,00 |
| Add: Fruitless and wasteful expenditure confirmed | R0,00 | R0,00 |
| Less: Fruitless and wasteful expenditure recoverable | R0,00 | R0,00 |
| Less: Fruitless and wasteful expenditure not recoverable and written off | R0,00 | R0,00 |
| **Closing Balance** | **R0,00** | **R0,00** |

**Reconciling notes**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure that was under assessment | R0,00 | R0,00 |
| Fruitless and wasteful expenditure that relates to the prior year and identified in the current year | R0,00 | R0,00 |
| Fruitless and wasteful expenditure for the current year | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | 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 fruitless and wasteful expenditure recoverable**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure recoverable | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**d) Details of fruitless and wasteful expenditure not recoverable and written off**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure written off | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

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

| Description |
|---|
| NONE |

**1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))** [4]

**a) Details of material losses through criminal conduct**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Theft | R0,00 | R0,00 |
| Other material losses | R0,00 | R0,00 |
| Less: Recoverable | R0,00 | R0,00 |
| Less: Not recoverable and written off | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

[4]Information related to material losses must also be disclosed in the annual financial statements.

**b) Details of other material losses**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Other material losses | R0,00 | R646 |
| Less Recovered | R0,00 | R27 |
| **Total** | **R0,00** | **R619** |

**c) Other material losses recoverable**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| *(Group major categories, but list material items)* | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |

**d) Other material losses not recoverable and written off**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| *(Group major categories, but list material items)* | R0,00 | R0,00 |
| **Total** | **R0,00** | **R0,00** |
| *Include discussion here where deemed relevant.* | | |

# 2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

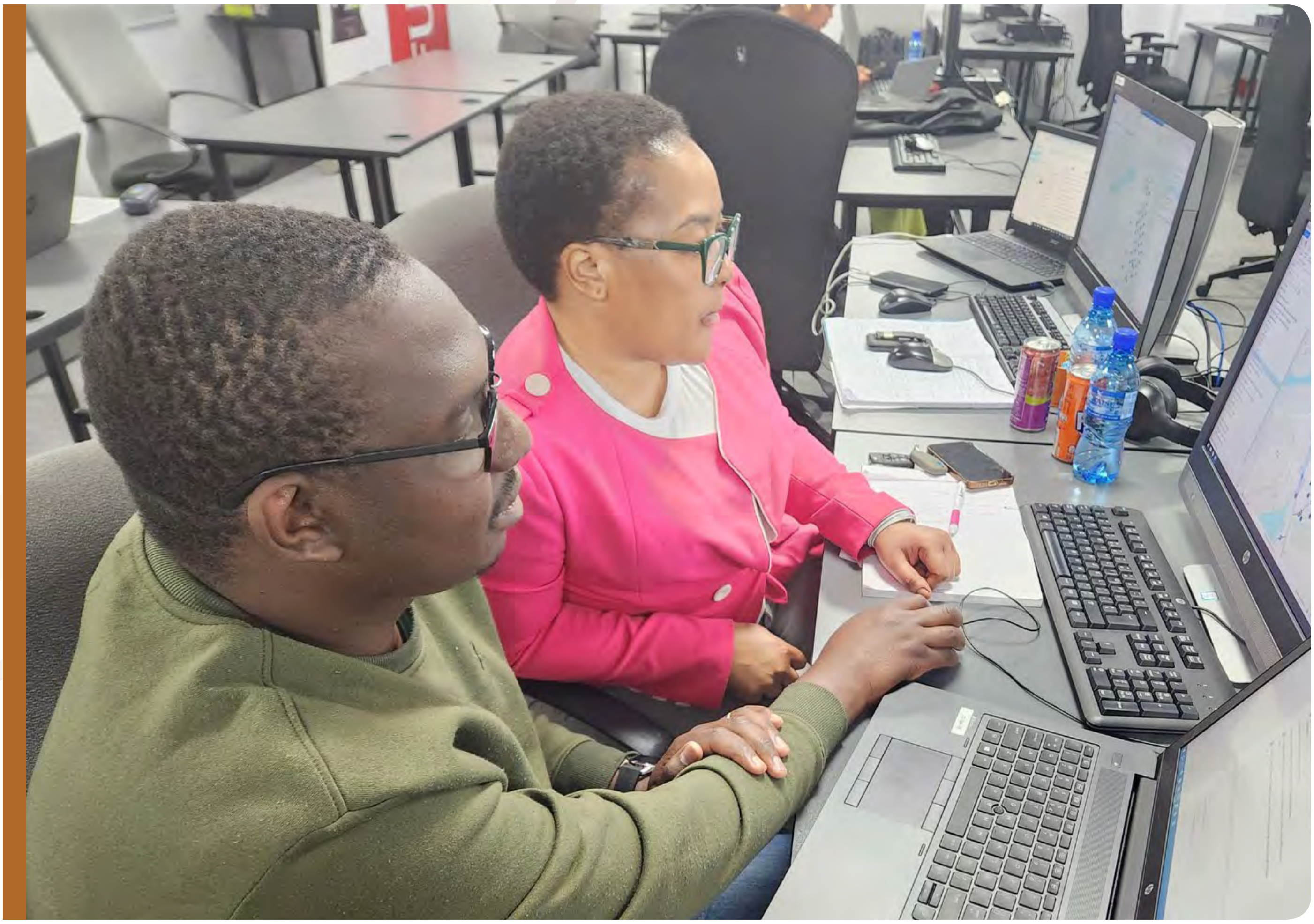
| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Valid invoices received | 792 | 164,653 |
| Invoices paid within 30 days or agreed period | 792 | 164,653 |
| Invoices paid after 30 days or agreed period | NIL | NIL |
| Invoices older than 30 days or agreed period (unpaid and without dispute) | NIL | NIL |
| Invoices older than 30 days or agreed period (unpaid and in dispute) | NIL | NIL |

# 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 the approval of membership renewal for Ms. Zodwa Portia Mabena-Mnguni. | The Institute of Risk Management (IRMSA) | Sole Service Provider | SCMPO522 | R2 |
| Deviation for Competency assessment 2 Directors IAA | Experttech | Sole Service Provider | SCMPO533 | R18 |
| Deviation for attendance of the sustainable human settlements, economic development, and service delivery. | Marble Business Technology | Sole Service Provider | SCMPO534 | R39 |
| Deviation for membership renewal. | the Institute of Internal Auditors South Africa. | Sole Service Provider | SCMPO539 | R11 |
| Deviation for CaseWare software subscription. | Adapt IT PTY LTD | Sole Service Provider | SCMPO542 | R131 |
| Deviation to attend GIS Conference. | Geoinformatics Development Foundation | Sole Service Provider | SCMPO544 | R22 |
| Deviation to attend 26th Southern African Internal Audit Hybrid Conference. | The Institute of Internal Auditors-South Africa. | Sole Service Provider | SCMPO555 | R14 |
| Deviation to attend Public Sector Infrastructure Delivery Management Training programme. | MillaSA. | Sole Service Provider | SCMPO558 | R11 |
| Membership renewal for Ms Lesego Bokaba. | The Institute of Risk Management (IRMSA). | Sole Service Provider | SCMPO560 | R3 |
| Deviation to attend the 31st International Cartographic Conference. | Southern Cross Conferences. | Sole Service Provider | SCMPO561 | R11 |
| Deviation to attend the 31st International Cartographic Conference. | Mark Penberthy And Associates. | Sole Service Provider | SCMPO562 | R153 |
| Deviation to attend the 7th Leadership Development for Women in Government SOE's Conference. | Robert Edwin Conferences. | Sole Service Provider | SCMPO576 | R75 |
| Deviation to attend the 86th IMESA Conference. | IMESA | Sole Service Provider | SCMPO578 | R82 |
| CIP for salary level 06-12. | National School of Government. | Sole Service Provider | SCMPO579 | R6 |
| CIP for salary level 13-14. | National School of Government. | Sole Service Provider | SCMPO580 | R6 |
| Attendance of the SITA Annual GOVTECH Conference. | State Information Technology Agency. | Sole Service Provider | SCMPO582 | R23 |

| Project description | Name of supplier | Type of procurement by other means | Contract number | Value of contract R'000 |
|---|---|---|---|---|
| Approval of a deviation to appoint Majuba TVET college as preferred training and trade testing service provider for 95 enrolled MISA apprentices and 31 municipal officials on the apprenticeship and artisan recognition of prior learning (ARPL) programmes. | Majuba TVET | As per the approved submission. | NONE | R8,048 |
| Deviation for the service provider to provide training for VEEAM certified engineers to three MISA officials. | Mercer Inter Ed | As per the approved submission. | SCMPO585 | R46 |
| Payment for MISA engineering young graduates' candidacy fees to the Engineering council of South Africa. | Engineering Council of South Africa | As per the approved submission. | SCMPO592 | R179 |
| Payment for a service provider to conduct a competency assessment for advertised positions within MISA. | N Growth | As per the approved submission. | SCMPO595 | R56 |
| Supply of software products and training of users. | Technoflakes Solutions | As per the approved submission. | SCMPO594 | R760 |
| Provision of Audit Software Package | Wolters Kluwer | As per the approved submission. | NONE | R1 280 |
| **Total** | | | | **R10,976** |



## 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 Order for Internal Maintenance Services. Variation Order for Internal Maintenance Services. | Sivent Trading and projects (Pty) Ltd. | Variation (Extension of time only) | N/A | R300 | N/A | R0 |
| Variation for the appointment of a service provider to provide security services for MISA. | TDP Security Services. | Variation (Extension of time and amount) | MISA/F/ SS/021/2019 | R2,588 | N/A | R872 |
| Variation for redefine properties for the extension of the lease agreement for letaba and hennops houses, riverside office park by six (6) months. | Redefine properties. | Variation (Extension of time and amount) | N/A | R2,299 | N/A | R4,800 |
| Variation Order for requesting approval of budget increase for the Western Cape contract | Khabokedi Waste Management (Pty) Ltd. | Variation (Extension of time and amount) | MISA/WC/ WMS/053/2021/22 | R22,497 | N/A | R3,423 |
| SAICE-Professional Development and Projects. | SAICE-Professional Development and Projects | Variation (Extension of time and amount) | MISA/TSS/ TST/005/2021 | R7,500 | N/A | R554 |
| Extension of time and variation order: Appointment of a professional service provider to develop the Eastern Seaboard regional spatial development framework within a period of sixteen (16) months. | Zutari PTY (LTD) | Variation (Extension of time and amount) | MISA/IDMS/ SDF/046/2021/22 | R3,408 | N/A | R492 |
| **Total** | | | | **R38,592** | | **R10,141** |

# 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 the Municipal Infrastructure Support Agent set out on pages 84 to 119, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Infrastructure Support Agent as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with 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 the government component in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the government component's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the government component or to cease operations, or has no realistic alternative but to do so.

### 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. This description, which is located at page 7 to the Auditor's report, forms part of our 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 the 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 2024 for auditing. I selected programmes that measures the government component's performance on its primary mandated functions and that are of significant national, community or public interest.

| Programme | Page numbers | Purpose |
|---|---|---|
| Programme 2: Technical Support Services | [33-37] | The purpose of the programme to enhance the capabilities of municipalities for improved municipal infrastructure planning, delivery, operations and maintenance.<br>Its main focus is to manage the provision of technical support and capabilities to enhance the management of municipal infrastructure support programmes by:<br>• providing assistance to selected municipalities in conducting infrastructure assessment and analysis; and<br>• providing technical support and expertise to enable the delivery, planning, maintenance and land use management<br>services in collaboration with relevant stakeholders; and coordinating the development of technical skills to support the delivery of municipal infrastructure programmes |
| Programme 3: Infrastructure Delivery Management system | [41-42] | The purpose of the programme is to support the efficient delivery of municipal<br>Infrastructure programmes and projects, build a credible project pipeline for long term infrastructure investment, as well as to support municipalities with infrastructure procurement. |

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's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the government component's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the government component's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so 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 those 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 and is comparable and understandable.
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets I measures taken to improve performance.

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
15. I did not identify any material findings on the reported performance information for the selected programmes.

### Other matter

16. I draw attention to the matters below.

## Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement.
18. The tables that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 76 to 77.

Programme 2: Technical Support Services

| *Targets achieved: 43%*<br>*Budget spent: 85%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Number of dysfunctional municipalities reducing non-revenue water by average of5%. | 22 municipalities reducing non-revenue by 5% on average | Not Achieved<br>The 22 municipalities supported were not able to reduce their non-revenue water by 5% on average. |
| Number of dysfunctional municipalities achieving EPWP Infrastructure Sector job opportunities allocations through the mainstreaming of LIC methods. | 25 municipalities achieve their respective EPWP Infrastructure Job opportunities allocation through mainstreaming of LIC methods | Not Achieved<br>6 municipalities supported achieved their respective EPWP Infrastructure Sector job opportunities allocation through mainstreaming of LIC methods |
| Percentage increase in households with access to water supply services in 22 dysfunctional municipalities | 3% increase in households with access to basic water supply services in identified 22 dysfunctional municipalities | Not Achieved<br>Only 11 municipalities achieving<br>3% increase in households with access to basic water supply services in identified 22 dysfunctional municipalities. |
| Number of dysfunctional Water Service Authorities (WSA) with Dysfunctional (Critical Risk) Wastewater Treatment Works (WWTWs) improved to High Risk WWTWs | 22 Dysfunctional WSAs with dysfunctional WWTWs improved to High Risk WWTWs. | Not Achieved<br>No dysfunctional WSAs with dysfunctional WWTWs were improved to High Risk WWTWs. |
| Number of dysfunctional Water Service Authorities (WSA) with Dysfunctional (Critical Risk) Water Treatment Works (WTWs) improved to High Risk WTWs. | 22 dysfunctional WSAs with dysfunctional WTWs improved to High Risk WTWs. | Not Achieved<br>No dysfunctional WSAs with dysfunctional WTWs were improved to High Risk WTWs |
| Percentage increase in households with access to solid waste removal services in the identified 22 dysfunctional municipalities | 2% Increase in households with access to waste removal services in identified 22 dysfunctional municipalities | Not Achieved<br>Only 8 out of the 22 identified dysfunctional municipalities was supported with 2% increase in households with access to waste removal services |

| *Targets achieved: 43%*<br>*Budget spent: 85%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Percentage increased in households with access to electricity supply services in the identified 22 dysfunctional municipalities | 2% Increase in households with access to electricity supply services in identified 22 dysfunctional municipalities | Not Achieved<br>Only 12 out of the 22 identified dysfunctional municipalities supported achieved 2% increase in households with access to electricity supply services. |
| Number of dysfunctional municipalities with electricity demand reduced by 10% | 22 dysfunctional municipalities' electricity demand reduced by 10% respectively | Not Achieved<br>Only 11 out of the 22 dysfunctional municipalities supported were able to reduce its electricity demand by 10%. |

Programme 3: Infrastructure Delivery Management Services

| *Targets achieved: 80%*<br>*Budget spent: 34%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Increased municipal infrastructure investment through innovative blended financing mechanisms | 5% increase in infrastructure investments for dysfunctional municipalities | Not Achieved<br>There was no increase in municipal infrastructure investment through innovative blended financing mechanisms for dysfunctional municipalities. |

### Material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Technical Support Services. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

## Report on compliance with legislation

20. 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.
21. 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.
22. 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.
23. I did not identify any material non-compliance with the selected legislative requirements.

## Other information in the annual report

24. 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 programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
25. 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.

26. 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.

27. 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 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

28. 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.

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

Auditor-General

Pretoria

31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# 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<br>Riverside Office Park<br>1303 Heuwel Road<br>Centurion<br>0046 |
| **Postal address** | Private Bag X105<br>Centurion<br>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 2024

# Index

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



## Abbreviations

| | |
|---|---|
| CoGTA | Coorperative Governance and Traditional Affairs |
| DCoG | Department of Cooperative Governance |
| GRAP | Generally Recognised Accounting Practice |
| MISA | Municipal Infrastructure Support Agent |
| IDP | Intergrated 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 Standard Board |

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act (Act 1of 1999 as ammended 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 entity as at the reporting period and the results of its operations and cash flows for the period then ended in conformity with standards of Generally 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 were 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 84 to 119, which have been prepared for the entity on the going concern basis, were approved and signed by the Accounting Officer on 31 July 2024.

Accounting Officer MISA
**Ms. E.M Kgomo**
Date:31 July 2024

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Accounting Officer's Report

The Accounting Officer submits her report for the period ended 31 March 2024.

## 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 Coorporate Governance. At the time, the Special Purpose Vehicle was operating as a sub-programme within the Department of Cooperative Governance Programme 6: Infrastructure and Economic Development.

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

- Public Finance Management Act, 1999 (Act No. 29 of 1999, as amended) and Treasury Regulations, and
- Public Service Act, 1994 (promulgated under proclamation No. 103 of 1994) and Public Service Regulations (2001) The Head of MISA is the Accounting Officer of the institution in terms of section 36 (2) (b) of the PFMA.

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

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Accounting Officer's Report

## 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 to strengthen their internal capacity for delivery and maintenance of basic infrastrucure services.

**Net surplus for the period under review**

Net surplus of the entity for the period under review is R97 270 254 (2023: Restated: Deficit of R163 034 618).

## 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.

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 OFFICER

The Accounting Officer of the entity during the current year and at the date of this report is as follows:

Ms E.M Kgomo acted as the Accounting Officer from 06 April 2023 until she was appointed as the Accounting Officer on 01 April 2024.

| Name | Nationality |
|---|---|
| Ms E.M Kgomo (Accounting Officer) | South African Appointed Monday, 01 April 2024 |

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Statement of Financial Position as at 31 March 2024

| | Note(s) | 2024<br>R | 2023<br>Restated*<br>R |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Prepayments | 3 | 2 842 353 | 3 018 407 |
| Receivables from non-exchange transactions | 4 | 2 333 478 | 1 702 383 |
| Cash and cash equivalents | 5 | 217 674 907 | 179 368 299 |
| | | 222 850 738 | 184 089 089 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 6 | 12 616 535 | 13 809 507 |
| Intangible assets | 7 | 3 896 565 | 7 804 386 |
| Prepayments | 3 | 78 291 | - |
| | | 16 591 391 | 21 613 893 |
| Total Assets | | 239 442 129 | 205 702 982 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Operating Lease Liability | 8 | 26 040 | 60 243 |
| Payables from exchange transactions | 9 | 27 914 993 | 86 008 361 |
| Provisions | 10 | 13 502 687 | 18 906 223 |
| | | 41 443 720 | 104 974 827 |
| Total Liabilities | | 41 443 720 | 104 974 827 |
| Net Assets | | 197 998 409 | 100 728 155 |
| Accumulated surplus | | 197 998 409 | 100 728 155 |

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Statement of Financial Performance

| | Note(s) | 2024<br>R | 2023<br>Restated*<br>R |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from Exchange Transactions** | | | |
| Interest received | 11 | 11 926 845 | 12 767 525 |
| **Revenue from Non-Exchange Transactions** | | | |
| **Transfer revenue** | | | |
| Government grants (DCoG) | 12 | 401 454 000 | 400 216 000 |
| LGSETA Funding | 12 | 1 094 863 | 1 087 698 |
| Total revenue from non-exchange transactions | | 402 548 863 | 401 303 698 |
| TOTAL REVENUE | | 414 475 708 | 414 071 223 |
| **Expenditure** | | | |
| Employee related costs | 13 | (196 297 166) | (197 085 760) |
| Depreciation, amortisation and impairment | 14 | (7 020 973) | (5 731 812) |
| Contracted services | 15 | (51 809 485) | (304 899 554) |
| General Expenses | 16 | (62 077 830) | (69 388 715) |
| TOTAL EXPENDITURE | | (317 205 454) | (577 105 841) |
| Surplus (deficit) for the year | | 97 270 254 | (163 034 618) |

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Statement of Changes in Net Assets

| | Note(s) | 2024<br>R | 2023<br>Restated*<br>R |
|---|---|---|---|
| Balance at 01 April 2022 | | 263 762 773 | 263 762 773 |
| Changes in net assets | | | |
| Surplus / (Deficit) for the year | | (163 034 618) | (163 034 618) |
| Total changes | | (163 034 618) | (163 034 618) |
| Restated* Balance at 01 April 2023 | | 100 728 155 | 100 728 155 |
| Changes in net assets | | | |
| Surplus for the year | | 97 270 254 | 97 270 254 |
| Total changes | | 97 270 254 | 97 270 254 |
| Balance at 31 March 2024 | | 197 998 409 | 197 998 409 |

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Cash Flow Statement

| | Note(s) | 2024<br>R | 2023<br>Restated*<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Grants | | 401 454 000 | 400 216 000 |
| Interest income | | 10 694 702 | 12 767 525 |
| Other Income | | 1 094 863 | 864 702 |
| | | 413 243 565 | 413 848 227 |
| **Payments** | | | |
| Employee costs | | (199 710 114) | (182 206 350) |
| Goods and Services | | (173 288 171) | (377 624 971) |
| | | (372 998 285) | (559 831 321) |
| Net cash flows from operating activities | 17 | 40 245 280 | (145 983 094) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 6 | (1 952 315) | (5 913 330) |
| Proceeds from sale of scrapped asset | | 13 643 | - |
| Net cash flows from investing activities | | (1 938 672) | (5 913 330) |
| Net Increase/(Decrease) in cash and cash equivalents | | 38 306 608 | (151 896 424) |
| Cash and cash equivalents at the beginning of the year | | 179 368 299 | 331 264 723 |
| Cash and cash equivalents at the end of the year | 5 | 217 674 907 | 179 368 299 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Statement of Comparison of Budget and Actual Amounts

| Budget on Accrual Basis | Approved budget<br>R | Adjustments<br>R | Final Budget<br>R | Actual amounts on comparable basis<br>R | Difference between final budget and actual<br>R | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Interest received - Call Account | - | - | - | 11 926 845 | 11 926 845 | Note 25 |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| LGSETA Funding | - | - | - | 1 094 863 | 1 094 863 | |
| **Revenue** | | | | | | |
| Government grants & subsidies | 401 454 000 | - | 401 454 000 | 401 454 000 | - | |
| Total revenue from non-exchange transactions | 401 454 000 | - | 401 454 000 | 402 548 863 | 1 094 863 | |
| Total revenue | 401 454 000 | - | 401 454 000 | 414 475 708 | 13 021 708 | |
| **Expenditure** | | | | | | |
| Employee related costs | (208 000 000) | - | (208 000 000) | (196 297 166) | 11 702 834 | Note 25 |
| Depreciation and amortisation | (6 700 000) | - | (6 700 000) | (7 020 973) | (320 973) | |
| Contracted Services | (201 339 673) | - | (201 339 673) | (51 809 485) | 149 530 188 | Note 25 |
| General Expenses | (62 500 000) | - | (62 500 000) | (62 077 830) | 422 170 | Note 25 |
| Total expenditure | (478 539 673) | - | (478 539 673) | (317 205 454) | 161 334 219 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (77 085 673) | - | (77 085 673) | 97 270 254 | 174 355 927 | |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# 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 ammended by Act 29 of 1999).

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

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

## 1.1 Going concern assumption

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

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

## 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

### Useful lives of Property, Plant and Equipment

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

### Intangible assets

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

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

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

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

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

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

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

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

| Item | Depreciation 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 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.

### 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.8 Employee benefits (continued)

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.

### 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 Goverment 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. Contibutions are charged to surplus or deficit when made.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 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.

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.

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 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.

### 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.11 Revenue from exchange transactions (continued)

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. Additionaly, 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.

### 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 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 relavent prescripts.

Irregular and Fruitless and Wasteful Expenditure is disclosed in note 22 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.

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.15 Related parties (continued)

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

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

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

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

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

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

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

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

## 1.16 Events after reporting date

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

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

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

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

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.17 Financial instruments

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

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

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

A financial asset is:

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

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

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

### 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.17 Financial instruments (continued)

### Classification

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

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

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

| Class | Category |
|---|---|
| Payables | Financial liability measured at amortised cost |

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

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

### 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.

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.17 Financial instruments (continued)

### Derecognition

- **Financial assets**

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

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

- **Financial liabilities**

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

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

## 1.18 Impairment of cash-generating assets

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

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

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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

## 1.18 Impairment of cash-generating assets (continued)

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 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.

## Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2024

# Accounting Policies

### 1.19 Construction Contracts (continued)

Expenditure related to the above is included in contracted services.

## 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2024 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | To be determined |
| • GRAP 1 (amended): Presentation of Financial Statements | To be determined | To be determined |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 R | 2023 R |
|---|---|---|

## 3. PREPAYMENTS

The prepayment refers to licence fees paid in advance.

| | 2024 R | 2023 R |
|---|---|---|
| Prepayment - Software Licences | 2 842 353 | 3 018 407 |
| Prepaymet - Non-current | 78 291 | - |
| | 2 920 644 | 3 018 407 |

Software Licences relate to Microsoft, Caseware licence and Sage Pastel licence fee payments.

## 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2024 R | 2023 R |
|---|---|---|
| Other Receivables | 2 570 255 | 1 004 280 |
| LGSETA | - | 923 625 |
| Provision for doubtful debts | (236 777) | (225 522) |
| | 2 333 478 | 1 702 383 |

| | 2024 R | 2023 R |
|---|---|---|
| Reconciliation of provision for doubtful debts | | |
| Opening balance | (225 522) | (192 411) |
| Increase in provision | (11 255) | (33 111) |
| Closing balance | (236 777) | (225 522) |

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

## 5. CASH AND CASH EQUIVALENTS

| | 2024 R | 2023 R |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Petty Cash | 27 346 | 19 047 |
| Bank balances-Current and Salary Account | 61 967 835 | 14 005 441 |
| Short-term deposits- Call Account | 155 679 726 | 165 343 811 |
| | 217 674 907 | 179 368 299 |

Cash and cash equivalents increased compared to prior year due to the receipt of four tranches from DCoG amounting to R401.45 million. DCoG paid over the period of the year with the last amount being in March 2024

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 6. PROPERTY, PLANT AND EQUIPMENT

| | Mar 2024 | | | Mar 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Fair value | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Fair value | Accumulated depreciation and accumulated impairment | Carrying value |
| Furniture and fixtures | 6 758 641 | (5 092 376) | 1 666 265 | 6 569 862 | (4 871 774) | 1 698 088 |
| Motor vehicles | 624 322 | (618 255) | 6 067 | 624 322 | (593 225) | 31 097 |
| Office equipment | 4 142 831 | (2 120 053) | 2 022 778 | 3 365 324 | (1 910 367) | 1 454 957 |
| Computer equipment | 25 357 201 | (16 435 776) | 8 921 425 | 24 413 717 | (13 788 352) | 10 625 365 |
| Total | 36 882 995 | (24 266 460) | 12 616 535 | 34 973 225 | (21 163 718) | 13 809 507 |

**Reconciliation of property, plant and equipment - Mar 2024**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 1 698 088 | 188 780 | - | (220 603) | 1 666 265 |
| Motor vehicles | 31 097 | - | - | (25 030) | 6 067 |
| Office equipment | 1 454 957 | 777 507 | - | (209 686) | 2 022 778 |
| Computer equipment | 10 625 365 | 986 028 | (32 134) | (2 657 834) | 8 921 425 |
| | 13 809 507 | 1 952 315 | (32 134) | (3 113 153) | 12 616 535 |

**Reconciliation of property, plant and equipment - Mar 2023**

| | Opening balance | Additions | Disposals | 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 |

Pledged as security

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

Repairs and maintenance

Repairs and maintenance expenditure incurred amounts to R66 542 in the current year.

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 7. INTANGIBLE ASSETS

| | Mar 2024 | | | Mar 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Fair value | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Fair value | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer software | 815 002 | (676 226) | 138 776 | 815 002 | (648 532) | 166 470 |
| Municipal Infrastructure Perfomamnce Management Information System (MIPMIS) | 33 946 284 | (30 188 495) | 3 757 789 | 33 946 284 | (26 308 368) | 7 637 916 |
| Total | 34 761 286 | (30 864 721) | 3 896 565 | 34 761 286 | (26 956 900) | 7 804 386 |

**Reconciliation of intangible assets - Mar 2024**

| | Opening balance | Amortisation and impairment | Total |
|---|---|---|---|
| Computer software, other | 166 470 | (27 694) | 138 776 |
| Municipal Infrastructure Perfomamance Management Information System (MIPMIS) - (Internally generated) | 7 637 916 | (3 880 127) | 3 757 789 |
| | 7 804 386 | (3 907 821) | 3 896 565 |

**Reconciliation of intangible assets - Mar 2023**

| | Opening balance | Amortisation and impairment | Total |
|---|---|---|---|
| Computer software, other | 203 530 | (37 060) | 166 470 |
| MIPMIS - (Internally generated) | 11 032 545 | (3 394 629) | 7 637 916 |
| | 11 236 075 | (3 431 689) | 7 804 386 |

Pledged as security

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

# Notes to the Annual Financial Statements

| | 2024<br>R | 2023<br>R |
|---|---|---|

## 8. OPERATING LEASE LIABILITY

| | | |
|---|---|---|
| Current liabilities | 26 040 | 60 243 |
| Operating lease accrual | 26 040 | 60 243 |

| | | |
|---|---|---|
| Minimum Lease payments due for the following periods: | | |
| Not later than one year | 7 090 563 | 1 617 097 |
| Later than one year and not later than five years | 1 856 079 | 410 192 |
| | 8 946 642 | 2 027 289 |

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

The lease term for the head office building is for a period of 6 months which commenced on 1 December 2023 and ends on 31 May 2024. The lease term was further extended for a period of 6 months which commenced on 1 June 2024 and ends on 30 November 2024. Lease term for the Free State provincial office is for 60 months which commenced on 1 November 2023 and ends on 31 October 2028 with an escalation of 6% per annum. Lease term for North West provincial office is for 60 months which commenced on 1 September 2023 and ends on 31 August 2028 with an escalation of 6% per annum.

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

Currectly MISA has 16 operating lease contracts for photocopiers with a duration of 3 years per contract. The first contract commenced in July 2022 and the last contract ends in September 2026, 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 | 21 345 781 | 80 533 016 |
| Service bonus liability | 4 258 506 | 4 276 796 |
| Other payables | 2 310 706 | 1 198 549 |
| | 27 914 993 | 86 008 361 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 10. PROVISIONS

**Reconciliation of provisions - Mar 2024**

| | Opening Balance | Movement | Total |
|---|---|---|---|
| Leave provision: Employees | 13 615 797 | (2 102 235) | 11 513 562 |
| Service Provider Claim | 3 390 426 | (3 301 301) | 89 125 |
| Technical Consultant Claim | 1 900 000 | - | 1 900 000 |
| | 18 906 223 | (5 403 536) | 13 502 687 |

**Reconciliation of provisions - Mar 2023**

| | Opening Balance | Movement | Total |
|---|---|---|---|
| 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 |

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 2024 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 the calender year (leave cycle) will be forfeited by 30 June 2024. 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 a contract that was cancelled, however, the service provider has claimed for the work done prior to the cancellation of the contract for which the service provider has not been compensated. The amount claimed by the service provider is 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

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024<br>R | 2023<br>R |
|---|---|---|

## 11. REVENUE FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Interest Received | 11 926 845 | 12 767 525 |

## 12. REVENUE FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| **Operating grants** | | |
| Government grant | 401 454 000 | 400 216 000 |
| LGSETA Funding | 1 094 863 | 1 087 698 |
| | 402 548 863 | 401 303 698 |

## 13. EMPLOYEE RELATED COST

| | | |
|---|---|---|
| Basic salary, Non pensionable allowance, Acting allowance and other allowances not listed below | 167 043 901 | 168 488 919 |
| Service Bonus (13th cheque) | 8 734 086 | 8 707 533 |
| Medical aid | 2 277 570 | 2 053 973 |
| Pension | 15 503 054 | 15 245 443 |
| Housing allowances | 2 738 555 | 2 589 892 |
| | 196 297 166 | 197 085 760 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 13. EMPLOYEE RELATED COST (CONTINUED)

**Remuneration for Key Management Personnel - 31 March 2024**

| | 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 |
|---|---|---|---|---|---|---|
| Acting Chief Executive Officer - Kgomo EM | 1 526 814 | 385 420 | - | 167 814 | 161 890 | 2 241 938 |
| Former Chief Executive Officer - Vimba GN | 185 210 | 79 999 | - | - | - | 265 209 |
| Deputy Director General - Zimbwa AG | 1 164 627 | 347 688 | - | 151 386 | - | 1 663 701 |
| Chief Financial Officer - Nombembe-Ofosu F | 1 048 606 | 313 048 | - | 136 303 | - | 1 497 957 |
| Chief Director - Ngobeni TS | 1 079 873 | 322 383 | - | 140 368 | - | 1 542 624 |
| Chief Director - Mamuremi F | 1 145 248 | 341 902 | - | 148 866 | - | 1 636 016 |
| Chief Director - Mathada V | 938 496 | 503 595 | - | 121 989 | - | 1 564 080 |
| Chief Director - Mathabathe R | 988 813 | 295 195 | - | 128 530 | - | 1 412 538 |
| Chief Director - Nkosi HJ (Acting Deputy Director General) | 835 219 | 448 170 | - | 108 563 | - | 1 391 952 |
| Chief Director - Ndalasi L | 1 145 248 | 341 902 | - | 148 866 | - | 1 636 016 |
| Chief Director - Mtshali BS | 960 211 | 286 656 | - | 124 812 | - | 1 371 679 |
| Chief Director - Layte MA | 960 211 | 226 814 | - | 124 812 | - | 1 311 837 |
| | 11 978 576 | 3 892 772 | - | 1 502 308 | 161 890 | 17 535 547 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 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 31 April 2022) | 72 986 | 29 611 | - | 9 488 | - | 112 085 |
| Chief Director - Mtshali BS (Acted as Chief Director from 8 April 2022 until 31 July 2023, 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 2024

# Notes to the Annual Financial Statements

| | 2024 R | 2023 R |
|---|---|---|

## 14. DEPRECIATION, AMORTISATION AND IMPAIRMENT

| | | |
|---|---|---|
| Property, plant and equipment | 3 113 152 | 2 300 124 |
| Intangible assets | 3 907 821 | 3 431 688 |
| | 7 020 973 | 5 731 812 |

## 15. CONTRACTED SERVICES

| | | |
|---|---|---|
| Information Technology Services | 8 800 086 | 5 034 955 |
| Professional and consulting services | 29 488 635 | 242 462 359 |
| Property rental | 10 485 297 | 9 108 120 |
| Agency support | 284 937 | 718 250 |
| Security services | 1 560 463 | 1 509 724 |
| Infrastructure Projects | 1 190 067 | 46 066 146 |
| | 51 809 485 | 304 899 554 |

The decreased expenditure is mainly to the completion of the Innovative Solid Waste programme

## 16. GENERAL EXPENSES

| | | |
|---|---|---|
| Advertsing expenses | 369 803 | 620 500 |
| Audit fees | 5 835 147 | 4 887 153 |
| Bank Charges | 89 555 | 86 885 |
| Cleaning | 808 941 | 701 272 |
| Office related expenditure | 672 144 | 323 422 |
| Increase in the provision for bad debts | 11 255 | 33 110 |
| Entertainment | 326 871 | 257 134 |
| Lease Payment - Printers and Photocopiers | 619 424 | 367 127 |
| Printing and stationery | 1 297 952 | 686 769 |
| Telephone | 1 610 235 | 2 139 100 |
| Transport | 5 476 569 | 2 638 445 |
| Training | 14 192 409 | 13 410 840 |
| Accomodation | 23 968 481 | 26 759 723 |
| Bursaries | 2 196 257 | 11 557 845 |
| Catering | 129 808 | 159 410 |
| Sundry expenses | 3 061 885 | 2 390 815 |
| Venues and facilities | 1 411 094 | 2 369 165 |
| | 62 077 830 | 69 388 715 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 16. GENERAL EXPENSES (CONTINUED)

| | | |
|---|---|---|
| **Included under sundry expenses are the following expenses:** | | |
| Consumables | 1 090 171 | 1 469 425 |
| Courier | 5 858 | 2 912 |
| Legal Costs | 1 952 836 | 831 890 |
| Net Loss on assets written off | 13 020 | 86 588 |
| | 3 061 885 | 2 390 815 |

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

## 17. CASH GENERATED FROM (USED IN) OPERATIONS

| | | |
|---|---|---|
| Surplus/(Deficit) for the year | 97 270 254 | (163 034 618) |
| **Adjustments for:** | | |
| Depreciation and Amortisation | 7 020 973 | 5 731 812 |
| Loss on assets written off | 18 492 | 86 588 |
| (Decrease)/Increase in provisions | (5 403 537) | 4 033 287 |
| Operating Lease Liability | (34 203) | - |
| Receivables from exchange transactions | (631 095) | 33 111 |
| (Increase) in Receivables from non-exchange transactions | - | (860 650) |
| Prepayments | 97 763 | (1 307 013) |
| Payables from exchange transactions | (58 093 367) | 9 334 389 |
| Cash generated from (used in) operations | 40 245 280 | (145 983 094) |

## 18. COMMITMENTS

Capital commitment consists of infrastructure, computer equipment and software amounting to R3 946 028.39 for the year end 31 March 2024.

| | | |
|---|---|---|
| **Total Committed expenditure (Capital and Operational Expenditure)** | | |
| • Contractors | 70 672 031 | 81 831 082 |
| **Committed expenditure payable not later than one year** | | |
| • Contractors | 48 672 833 | 46 589 177 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024<br>R | 2023<br>R |
|---|---|---|

## 18. COMMITMENTS (CONTINUED)

Committed expenditure payable later than one year but not later than five years

| | | |
|---|---|---|
| Contractors | 21 999 197 | 35 241 905 |
| | 21 999 197 | 35 241 905 |

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

## 19. CONTINGENCIES

Contingent liability

The contingent liabilities relate to the following:

1. Claim by service provider for work done on the Northern Cape Bucket eradication programme. Contract was terminated by mutual agreement, the claim is for R12 000 000. There are no prospects of MISA paying based on the expert report on work done. The other amount claimed was not for work performed and MISA also has a counter claim. Furthermore, the reason for termination was due to the submission of a fraudulent tax clearance certificate.
2. Claim by former technical consultants relating to extension of contracts. MISA may be required to pay R4 million plus legal costs should the former Technical Consultants win their case. The probabilities of MISA being required to pay are low. The contracts of the TCs expired and the new process excluded them objectively .
3. An employee's contract was terminated by MISA for an outstanding qualification certificate. The 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.
4. The contingent liability of R6 283 907.78 relates to MISA being taken to the High Court which set aside the previous ruling where MISA had won the case. Now the case will be heard again in a new arbitration process and the probability for MISA to pay is still there as the outcome can go either way.
5. A potential refund of surplus funds to DCoG valued at R178 564 825. Included in this amount is R78 761 488 for the Eastern Seaboard project.

| | | |
|---|---|---|
| Claim against the state | 23 752 618 | 13 468 710 |
| Potential Funds to be Surrendered to DCoG | 178 564 825 | - |
| | 202 317 443 | 13 468 710 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 20. 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 African Cities Networks-Fellow Controlled Entity |
| | South African Local Government Association CRL Right Commission |

**Related party transactions**

| | 2024 | 2023 |
|---|---|---|
| **Transfer Received** | | |
| Transfer from DCoG | 401 454 000 | 400 216 000 |
| **Related party balances** | | |
| Amount included in payables owed to DCoG for the recovery of expenses paid by DCoG on behalf of MISA. This is payable within 30 days of invoicing. | - | 293 093 |
| Inter departmental claim receivable by MISA from DCoG. | 491 227 | - |
| Inter departmental claim receivable by MISA from KZN Public Works. | 38 016 | - |

Refer to note 13 for key management personnel information and note 24 for members of audit committee.

## 21. 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

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 21. RISK MANAGEMENT (CONTINUED)

**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

**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 2024 were as follows:

| | 2024 | 2023 |
|---|---|---|
| Age analysis of receivables for non-exchange transactions (neither past due nor impaired) | | |
| 0-3 months | 1 785 892 | 1 656 834 |
| >3-6 months | 21 473 | 2 912 |
| >6-12 months | (49) | 1 113 |
| >12 months and older | 526 162 | 41 524 |
| TOTAL | 2 333 478 | 1 702 383 |

**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.

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 22. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

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

## 23. DEFINED BENEFIT PLAN

**Government Employee Pension Plan**

Contributions

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 on 31 March 2021. The valuation indicates that the plan is in a good sound financial position. The estimated liabilities of the fund are R1 855 million which are funded by assets of R2 041 million as at 31 March 2021.

Refer to note 13 for Employee related cost information on Pension (defined benefit plan).

## 24. FEES FOR MEMBERS OF THE AUDIT AND RISK COMMITTEE

| | 2024 | 2023 |
|---|---|---|
| Mr BH Gutshwa | 88 891 | - |
| Ms CV Abdoll | 131 675 | 138 159 |
| Mr S Gounden | 132 381 | 155 891 |
| Mr SA Ngobeni | 67 012 | - |
| Ms P Mzizi | 57 766 | - |
| Mr LL Makibinyane | 84 756 | 123 350 |
| Ms N Lubanga | 102 918 | 168 755 |
| Mr LJ Makoro | 18 714 | 98 249 |
| Dr P Dala | 148 925 | 238 726 |
| Mr S Badat | 38 663 | - |
| | 871 701 | 923 130 |

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 | 2023 |
|---|---|---|
| | R | R |

## 24. FEES FOR MEMBERS OF THE AUDIT AND RISK COMMITTEE (CONTINUED)

All the members of the Audit Committee are external members. Dr P Dala was appointed as the chairperson of the audit committee until end of September 2023. Mr LJ Makoro was appointed as the chairperson of the Risk Management Committee until end of September 2023. Mr SA Ngobeni was appointed as the Chairperson of the Audit Committee and Mr BH Gutshwa was appointed as the Chairperson of Risk Management Committee on a 3 year contract commencing from 01 December 2023.

## 25. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

- Interest received on the Call Account was not budgeted for hence the positive variance of R11.93 million.
- Employee related Costs: Expenditure amounting to R196.28 million was incurred against the budget of R208 million. The under expediture is as a result of vacant positions that were not filled due to implementation of cost containment measures issued by National Treasury.
- Contracted services: Expenditure amounting to R51.81 million was incurred against the budget of R201.34 million. Included in the budget amount is R97.22 million for the Eastern Seaboard project where R18.46 million was spent and resulted in R78,76 million under expenditure for the year. The under expenditure balance on contracted services is mainly due to delays in project implementation as a result of litigation and cost containment measures as per National Treasury. Furthermore, MISA budgeted for provincial offices and only two provincial offices were secured towards the end of the financial year.
- General Expenses: Actual expenditure amounting to R62.08 million was incurred against a budget of R62.50 million.

## 26. BBBEE COMPLIANCE PERFORMANCE INFORMATION

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

**Municipal Infrastructure Support Agent (MISA)**

Annual Financial Statements for the year ended 31 March 2024

# Notes to the Annual Financial Statements

| | 2024 R | 2023 R |
|---|---|---|

## 27. PRIOR PERIOD ERROR

The prior year Accrued expenses were understated by R989 818 due to travel and accommodation expenditure that took place in March 2023 but paid for in April 2023. This also translate to Payables being understated by the same amount. Therefore, this prior year error is only possible to be corrected in the prior year period end 31 March 2023 and not in any other period. The previous year surplus/deficit will have to be restated as it is impacted by this.

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Payables from exchange transactions | 989 818 | |
| **Statement of Changes in Net Assets** | | |
| Deficit | (989 818) | |
| | - | |

## 28. EVENTS AFTER THE REPORTING DATE

The following events after reporting date occurred.

**Impairment of non-cash generating intangible asset:**

One of MISA's Intangible Asset in the form of MIPMIS software had indications that it may be impaired, however the exercise of impairment was only concluded post submission of the Annual Financial Statements for audit purposes. This was due to challenges of getting to Fair Value less Costs to sell and Value in Use. Therefore an alternative method was used to get to the Recoverable Amount.

Therefore an adjusting post balance sheet event resulted in the impairment of MIPMIS by R467 340 and affecting the Income Statement expense line item and Balance Sheet fixed asset line item.

**Head Office lease renewal:**

The Head Office lease was expiring on 31 May 2024 and as at the approval of Annual Financial Statements for submission for Audit purposes, no signed lease agreement was in place as the lease was signed and received subsequent to that but before the issue date. Therefore this resulted to adjustment of the Note to Operating Lease Liability (Note 8 above) for minimum lease payments due not later than one year and those due later than one year but not later than five years respectively.

# Notes

# Notes

# Notes

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