

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

ANNUAL REPORT 2024/25



cooperative
governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA





MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

ANNUAL REPORT

2024/2025 FINANCIAL YEAR



MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

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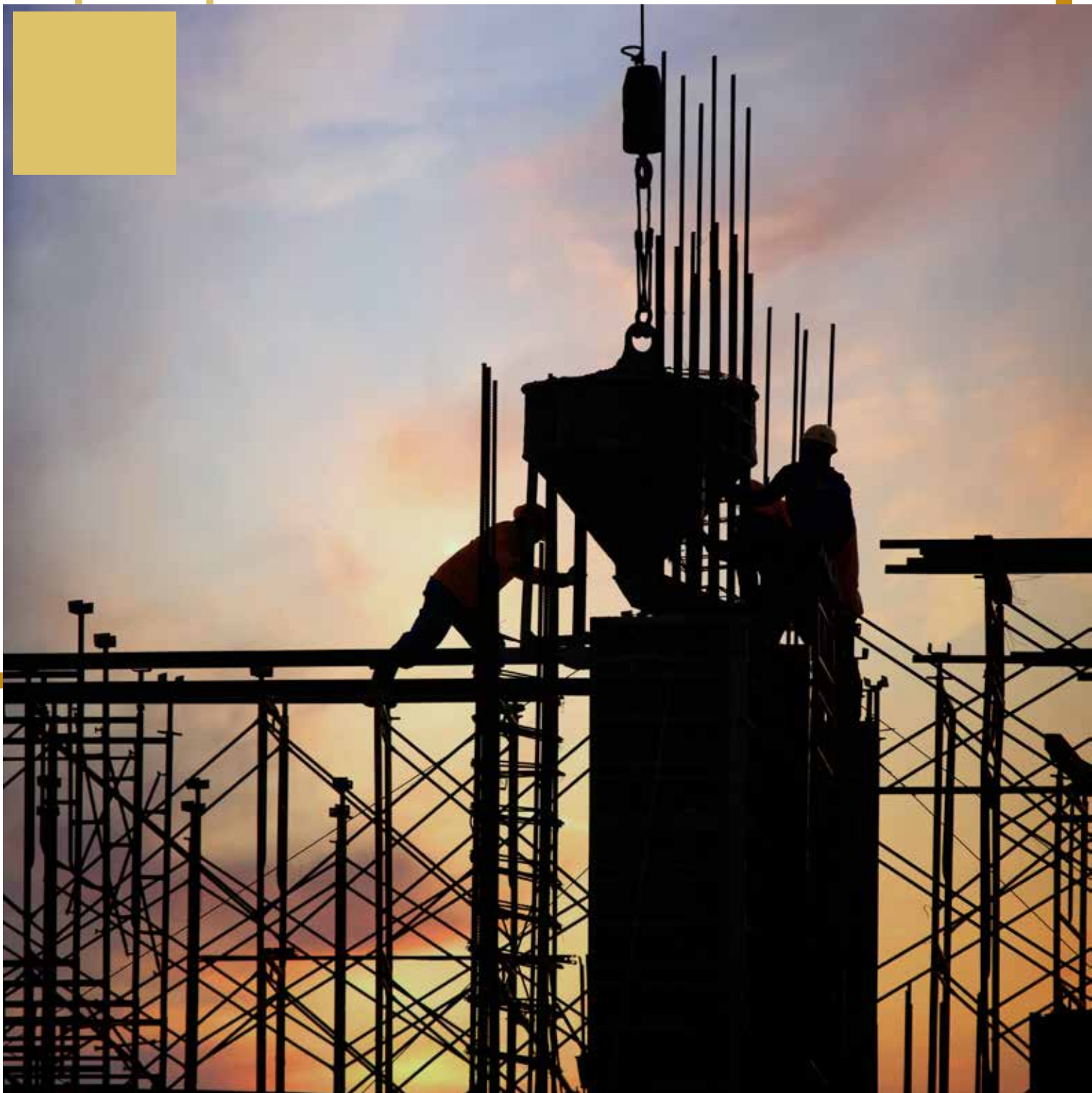
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PART A:

GENERAL INFORMATION



1. GENERAL INFORMATION FOR MISA

REGISTERED NAME:	MUNICIPAL INFRASTRUCTURE SUPPORT AGENT
REGISTRATION NUMBER:	N/A
PHYSICAL ADDRESS:	1303 HEUWEL AVENUE
	LETABA HOUSE
	CENTURION
	0157
POSTAL ADDRESS:	PRIVATE BAG X105
	CENTURION
	0046
TELEPHONE NUMBER:	+27 12 848 5300
EMAIL ADDRESS:	communications@misa.gov.za
WEBSITE ADDRESS:	www.misa.gov.za
EXTERNAL AUDITORS:	AUDITOR-GENERAL SOUTH AFRICA
BANKERS:	STANDARD BANK
COMPANY/ BOARD SECRETARY	N/A

2. LIST OF ABBREVIATIONS/ACRONYMS

AAP	Audit Action Plan
AC	Audit Committee
ACC	Audit Committee Charter
AFS	Annual Financial Statements
AG	Auditor-General
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
APR	Annual Performance Report
AR	Annual Report
ASC	Audit Steering Committee
B2B	Back to Basics
B-BBEE	Broad-based Black Economic Empowerment
BC	Bid Committee
CEF	Central Energy Fund
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMSS	Corporate Management Support Services
CoI	Conflict of Interest
CSIP	Corporate Services Improvement Plan
CoGTA	Cooperative Governance and Traditional Affairs
DCoG	Department of Cooperative Governance
DDG	Deputy Director- General
DDM	District Development Model
DEL	Department of Employment and Labour
DG	Director-General
DoL	Department of Labour
DoRA	Division of Revenue Act
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
ECSA	Engineering Council of South Africa
EE	Employment Equity
EHWP	Employee Health and Wellness
EPWP	Expanded Public Works Programme
ESD	Eastern Seaboard Development

EXCO	Executive Committee
FMPPi	Framework for Managing Programme Performance Information
LCC	Loss Control Committee
LG FIDPM	Local Government Framework for Infrastructure Delivery and Procurement Management
LG IDMS	Local Government Infrastructure Delivery Management Support Programme
LG IDMS	Local Government Infrastructure Delivery Management System
GIAS	Global Internal Audit Standards
GICTM	Government Information and Communication Technology
GCC	General Conditions of Contracts
GNU	Government of National Unity
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
HRM&D	Human Resources Management and Development
IAC	Internal Audit Charter
ICT	Information Communication Technology
IDMSS	Infrastructure Delivery Management Support Services
IDPs	Integrated Development Plans
KPIs	Key Performance Indicators
KZN	Kwazulu-Natal
LIC	Labour Intensive Construction
LGSETA	Local Government Sector Training Education and Training Authority
MANCO	Management Committee
MIG	Municipal Infrastructure Grant
MIGP	Municipal Infrastructure Grant Projects
MISA	Municipal Infrastructure Support Agent
MoF	Minister of Finance
MPSA	Minister of Public Service and Administration
MPTAs	Municipal Performance Turnaround Actions
MTDP	Medium-Term Development Plan
MTSF	Medium- Term Strategic Framework
NACH	National Anti-corruption Hotline
NBI	National Business Initiative
NDP	National Development Plan
NDMC	National Disaster Management Centre
NRF	National Revenue Fund
NQF	National Qualifications Framework

NT	National Treasury
OHS	Occupational Health and Safety
OSD	Occupational Specific Dispensation
PAAP	Post Action Audit Plan
PC	Portfolio Committee
PPP	Public Private Partnership
PSC	Public Service Commission
PFMA	Public Finance Management Act
PMDS	Performance Management Development System
PME	Planning, Monitoring and Evaluation Committee
PSA	Public Service Act
PwDs	People with Disabilities
RE	Renewable Energy
RMC	Risk Management Committee
RPL	Recognition of Prior Learning
SALGA	South African Local Government Association
SAMTRAC	Safety Management Training Course
SCM	Supply Chain Management
SLAs	Service Level Agreements
SMS	Senior Management Services
SOCs	State-Owned Companies
SOE	State-Owned Enterprises
SONA	State of the Nation Address
SOP's	Standard Operating Procedures
SPLUMA	Spatial Planning and Land Use Management Act
SP	Strategic Plan
SPV	Special Purpose Vehicle
TID	Technical Indicator Description
ToR	Terms of Reference
TSS	Technical Support Services Programme
WC/WDM	Water Conservation or Water Demand Management Strategies
WSA's	Water Services Authorities
WSP	Workplace Skills Plan
WTWs	Water Treatment Works
WWTWs	Waste Water Treatments Works

3. FOREWORD BY THE MINISTER



MR VELENKOSINI HLABISA, MP

**MINISTER OF COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS**

The financial year under review marked the final year of the previous administration five-year Medium-Term Strategic Framework (MTSF) which concluded following the general elections held in 2024. The results of these elections required the formation of a Government of National Unity (GNU), as no political party managed to secure an outright majority of the votes cast. Additionally, the financial year began shortly after the Municipal Infrastructure Support Agent (MISA) celebrated its 10th anniversary. This milestone prompted a reflection on the successes and challenges faced by the agency since its establishment as a Special Purpose Vehicle (SPV). MISA was created to provide technical capacity support to municipalities enabling them to effectively deliver and manage infrastructure for essential services.

In the year under review, MISA continued to deliver technical support to municipalities through its deployed engineers and town planners, as well as providing capacity development initiatives via workplace training targeted at both unemployed youth with qualifications in built environment and technical officials in municipalities. In alignment with its mandate, the entity prioritised support for the 22 most distressed municipalities across the country. These municipalities form part of a larger group of 66 initially categorised as distressed following the assessment conducted by the Department of Cooperative Governance (DCoG) in 2022.

The support provided was broadly aimed at enhancing water conservation and demand management, incorporating labour-intensive construction methodologies in projects funded by the Municipal Infrastructure Grant (MIG), facilitating infrastructure repairs and refurbishment, ensuring effective implementation of MIG allocations to mitigate backlogs in basic services, and improving planning in accordance with the Spatial Planning and Land Use Management Act (SPLUMA). Furthermore, efforts included the execution of corrective actions plans to enhance the functionality of water and wastewater treatment facilities in municipalities with critical low blue and green drop ratings, the mobilisation of infrastructure funding from sources beyond the National Treasury (NT), and the efficient procurement of infrastructure goods and services.

MISA continued to perform its implementing agent role in respect of the Eastern Seaboard Development (ESD) and the MIG Schedule 6B Programmes on behalf of its parent department, DCoG. The ESD was initiated as part of the Smart City development programme previously announced by the President of the Republic in the State of the Nation Address (SONA). Its main objective is to economically transform the Eastern Seaboard region spanning two provinces of Kwazulu-Natal (KZN) and Eastern Cape (EC) for the benefit of the people in that region. The conversion of MIG allocations into an indirect grant as provided for in the Division of Revenue Act (DoRA), enabled the entity to implement two projects, each in Emfuleni Local Municipality in Gauteng and uThukela District Municipality in KZN. This implementation support is targeted at municipalities with track records of persistent underspending on MIG Allocations.

The effectiveness of the entity's support programmes is diminished by the core challenges confronting the majority of municipalities across the country. These include, among others, Governance instability, lack of skilled technical professionals in most municipalities, and limited funding allocation towards infrastructure repairs and refurbishment. In the main, these challenges manifest themselves through frequent service breakdown and persistently poor quality of service as the underlying infrastructure struggles to cope with growing demand. Simultaneously, MISA is gearing itself to implement its long-term strategy adopted in 2024. This strategy sets out the key strategic focus areas for the entity over the next 10 to 15 years. Key initiatives and interventions emanating from the rollout of the strategy will progressively be incorporated into the plans of the entity.

Along with other Government departments and agencies, MISA has recently completed the development of its five-year Strategic Plan (SP) aligned to the three priorities set out in the Medium- Term Development Plan (MTDP) for the Seventh administration. Based on this SP, an Annual Performance Plan (APP) for the entity has also been developed, setting out the output targets for the coming financial year. The performance targets in the approved APP are structured in a manner that will enable the achievement of outcomes outlined in the SP. The entity will continue to focus mainly on supporting municipalities to address challenges around the development of quality infrastructure through conditional grants, investment in, and rollout of infrastructure repairs and refurbishment programmes, practical training for unemployed youth and relevant municipal officials, rollout of both the ESD and MIG Schedule 6B programmes, among other key priorities.

I wish to express my profound gratitude to the Chief Executive Officer (CEO), the entire Management team, and all staff members in MISA for their remarkable dedication to enhancing the delivery of municipal infrastructure and services for the benefit of our communities. Additionally, I extend my appreciation to the Deputy Ministers and the Director-Generals (DG's) for their steadfast support and invaluable contributions to addressing the challenges within the Local Government sector. I am confident that, together, we will continue to progress towards the realisation of our vision to ensure that each municipality operates effectively.



MR VELENKOSINI HLABISA, MP

MINISTER OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

4. DEPUTY MINISTER STATEMENT



DR NAMANE DICKSON MASEMOLA, MP

DEPUTY MINISTER FOR COOPERATIVE GOVERNANCE

The formation of the Government of National Unity (GNU) marked a significant milestone in the history of our country, as we continue the democratic project of deepening democracy and advancing non-racialism and non-sexism towards a prosperous society. Following the establishment of the GNU, the President, in his SONA, highlighted several critical priorities for Local Government transformation. These include the need to stabilise Governance in metros and cities, restore service delivery, and strengthen the capacity of national Government to intervene in municipalities that fail to meet minimum norms and standards.

In response to this call by His Excellency, the review of the White Paper on Local Government represents a pivotal opportunity for South Africa to shape a more responsive, efficient, business-friendly, and community-centred Local Government system, one that drives sustainable economic growth and job creation. While significant progress has been made in the establishment of a Local Government system and extending basic services to millions of South Africans, this redefining review marks the beginning of a new transformation journey for the sector.

Despite the many challenges, municipalities remain at the forefront of Government's efforts to deliver essential services to our citizens. Given the constitutional mandate of Local Government in the service delivery value chain, weakness or underperformance in this sphere directly impact the State's ability to meet the needs and aspirations of communities, as well as its capacity to stimulate the economic growth vital for the material well-being of all South Africans. We recognise, however, that multiple factors undermine municipal performance. These include poor financial management, corruption, mismanagement, weak governance, and capacity constraints. These challenges hinder service delivery, making it difficult for municipalities to maintain and upgrade infrastructure and provide vital services such as water, sanitation, and electricity. To confront these challenges, we must institutionalise the District Development Model (DDM). With approved DDM One Plans to be implemented across all 52 Districts and Metros, this approach will promote integration, coordination, and collaboration in planning and implementation. Through the DDM, we have a unique opportunity to strengthen cooperative Governance, build a capable, ethical, and developmental State, and advance the transformation of Local Government.

Most municipalities also grapple with limited technical knowledge and skills, particularly in infrastructure procurement, which constrains effective delivery of infrastructure investments. The lack of adequate infrastructure in rural areas further restricts service delivery, disproportionately affecting black communities. To address these issues, the Municipal Infrastructure Support Agent (MISA) will prioritise support to distressed municipalities, aligning infrastructure procurement policies with Legislation and Regulations to improve efficiency across supply chain processes, contract management, planning, budgeting, programme and project management, and operations and maintenance. Although improvements may not be immediate, progress is evident in the alignment of policies, supply chain processes, and the institutionalisation of standardised frameworks such as the Local Government Framework for Infrastructure Delivery and Procurement Management (LG FIDPM) and the Local Government Infrastructure Delivery Management System (LG IDMS).

MISA is well positioned to strengthen the functionality of existing infrastructure and to support municipalities in maximising the use of conditional grants allocations to expand access to basic services. Furthermore, MISA will play a pivotal role in implementing infrastructure projects under the Municipal Infrastructure Grant (MIG) Schedule 6B programme, aimed at accelerating the delivery of municipal infrastructure. In addition, MISA will continue its role as implementing agent for the Eastern Seaboard Development (ESD) initiative and will support the National Disaster Management Centre (NDMC) in executing disaster interventions, ensuring that allocated funding achieves its intended impact.

I wish to express my deepest gratitude to Ministry, the Chief Executive Officer of MISA, Directors-General of both Cooperative Governance and Traditional Affairs (CoGTA), all officials, stakeholders and partners for their continued support and invaluable contributions to the continuing journey of transforming Local Government for the benefit of all South Africans.



DR NAMANE DICKSON MASEMOLA, MP

DEPUTY MINISTER FOR COOPERATIVE GOVERNANCE

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



MAPATANE KGOMO

CHIEF EXECUTIVE OFFICER

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

The Municipal Infrastructure Support Agent's total budget for the 2024/25 financial year was R531 million. This amount includes the surplus amount of R125 million retained from the previous financial year. Total transfer from the National Revenue Fund (NRF) received through the CoGTA vote was R407 million. Additional revenue of about R19 million was received. This amount comprises of interest income of R16 million earned from funds in the bank, MIG 6B Management fee of R3 million and grant funding amount of R93 117 received from Local Government Sector Education Training Authority (LG SETA). This brings the total revenue for the financial year excluding retained funds to R426 million.

Total expenditure for the year amounted to R342 million, resulting in a surplus in the Statement of Financial Performance of R84 million. The inclusion of retained funds amounting to R125 million, as mentioned above, resulted in an overall surplus of R208 million for the financial year, before an amount of R54 million was surrendered to National Treasury (NT), through DCoG. The recorded spending represents 64% of the total revenue available to the entity for the financial year under review. Spending on the cost of employees of R199 million accounted for 58% of the total expenditure in the year under review. About R143 million was spent on goods and services, representing 42% of the total spending for the year. Operational expenses amounted to R80 million which constituted 23% of the total annual expenditure. Spending on employee costs increased from R196 million in the previous financial year to R199 million due to the increase in the number of employees as a result of the implementation of the Cost-of-Living Adjustment (CoLA) as approved by the Department of Public Service and Administration (DPSA) for the year recruitment drive to fill vacancies on the revised organisational structure. Cost containment measures that had to be applied delayed the filling of funded vacant positions on the approved organisational structure resulted in an increase in the vacancy rate to 20%, which is above the maximum threshold of 10% stipulated by DPSA.

During the third quarter of the year, MISA revised its indicators under the Technical Support Services (TSS) and Infrastructure Delivery Management Support Services (IDMSS) programmes in ensuring that our data inputs are consistent, thereby resulting in our indicators and their targets being useful for measuring and reporting on progress against MISA's planned objectives. MISA achieved performance targets for 16 of the 19 output indicators in the approved revised APP for 2024/25, which translates into an overall achievement of 84% for the year under review. This performance level marks a considerable improvement in the achievement level of the previous financial year.

Two of the three output targets not achieved in the financial year under review were under the TSS programme and the remaining one was under the IDMSS programme. The main reasons for not achieving the targets under TSS were delays in the implementation of corrective action plans developed (as per the Department of Water and Sanitation standards for the Blue and Green Drop outcomes), with the target under the IDMSS programme not achieving due to the withdrawal of a private sector partner on initial commitments due to resource constraints.

MISA's approved organisational structure has a total of 244 posts of which 225 posts are funded. 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. During the financial year under review, the two Deputy Director-Generals (DDG's) positions under the TSS and IDMSS programmes were vacant and occupied by acting appointments, with the process of filling these positions earmarked for the 2025/26 financial year.

MISA successfully applied for the retention of surplus funds amounting to R125 million from the 2023/24 budget. This amount is made up of R79 million for the ring-fenced funding for the (ESD) programme and R46 million for commitments on other projects started in the previous year. Over the past financial years, MISA has made significant strides in addressing deficiencies in Supply Chain Management (SCM) identified during the audits previously conducted by both Internal Audit and the Auditor-General (AG). These improvements were possible following the strengthening of Human Resource (HR) capacity within the SCM unit through the filling of vacancies on the approved structure and complemented by external capacity contracted on a core-sourcing arrangement. Over the same period improvements were made on the overall control environment. As a result of these efforts to improve internal controls, the entity had not incurred irregular expenditure since 2018/19 financial year.

In the coming financial year, MISA will continue striving to optimally utilise its resources in support of the 64 distressed municipalities, in line with the DDM approach, together with the ten municipalities 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. MISA will also be gearing itself to be ready towards driving the implementation of infrastructure projects as part of the MIG Schedule 6B programme, with the aim of accelerating the implementation of municipal infrastructure. MISA will also continue to play an implementing agent role in respect to the ESD in the coming financial year, with the key stakeholders' commitments obtained during the previous financial year an important ingredient to the successful rollout of the ESD.

My gratitude goes out to members of my Senior Management team for their valuable contribution to the tremendous achievements by the entity and their appreciation of an even tougher task that lies ahead. MISA Management is grateful for the astute leadership and support provided by Minister Hlabisa, Deputy Ministers and the Director-General (DG) of DCoG without which it would have been extremely difficult to reach our milestones for the year.



MAPATANE KGOMO

CHIEF EXECUTIVE OFFICER

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

DATE: 31 MAY 2025

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.

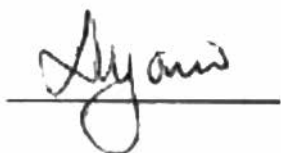
The Accounting Officer is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

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 2025.

Yours faithfully



MAPATANE KGOMO

CHIEF EXECUTIVE OFFICER

MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

DATE: 31 MAY 2025

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, and
- 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.

Name of Legislation	Mandate
Disaster Management Act, 2002 (Act No. 57 of 2002)	To provide for: • An integrated and coordinated Disaster Management Policy, which focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery. • The establishment of national, provincial and municipal disaster management centres. • Disaster management volunteers. • Matters incidental thereto.
Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)	To provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities; to ensure universal access to essential services that are affordable to all; to define the legal nature of a municipality as including the local community within the municipal area, working in partnership with the municipality's political and administrative structures; to provide for the manner in which municipal powers and functions are exercised and performed; to provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change, which underpin the notion of developmental Local Government; to provide a framework for local public administration and Human Resource development; to empower the poor and ensure that municipalities establish service tariffs and credit control policies that take their needs into account, by providing a framework for the provision of services, service delivery agreements and municipal service districts; to provide for credit control and debt collection; to establish a framework for support, monitoring and standard setting by other spheres of Government in order to progressively build Local Government into an efficient, frontline development agency capable of integrating the activities of all spheres of Government for the overall social and economic upliftment of communities in harmony with their local natural environment.
Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)	To provide for the establishment of municipalities, in accordance with the requirements relating to categories and types of municipality; to establish criteria for determining the category of municipality to be established in an area; to define the types of municipality that may be established within each category; to provide for an appropriate decision of functions and powers between categories of municipality; to regulate the internal systems, structures and office-bearers of 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 (NCoP), 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 2020 – 2024

The MTSF for the period 2020–2024, particularly the chapter on Outcome 9, provides a foundational base for the revised Strategic Plan of MISA (and CoGTA) for 2020–2024. MISA's SP for 2020/21 – 2024/25 (as amended) were aligned to CoGTA's SP for the same period. The 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 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.

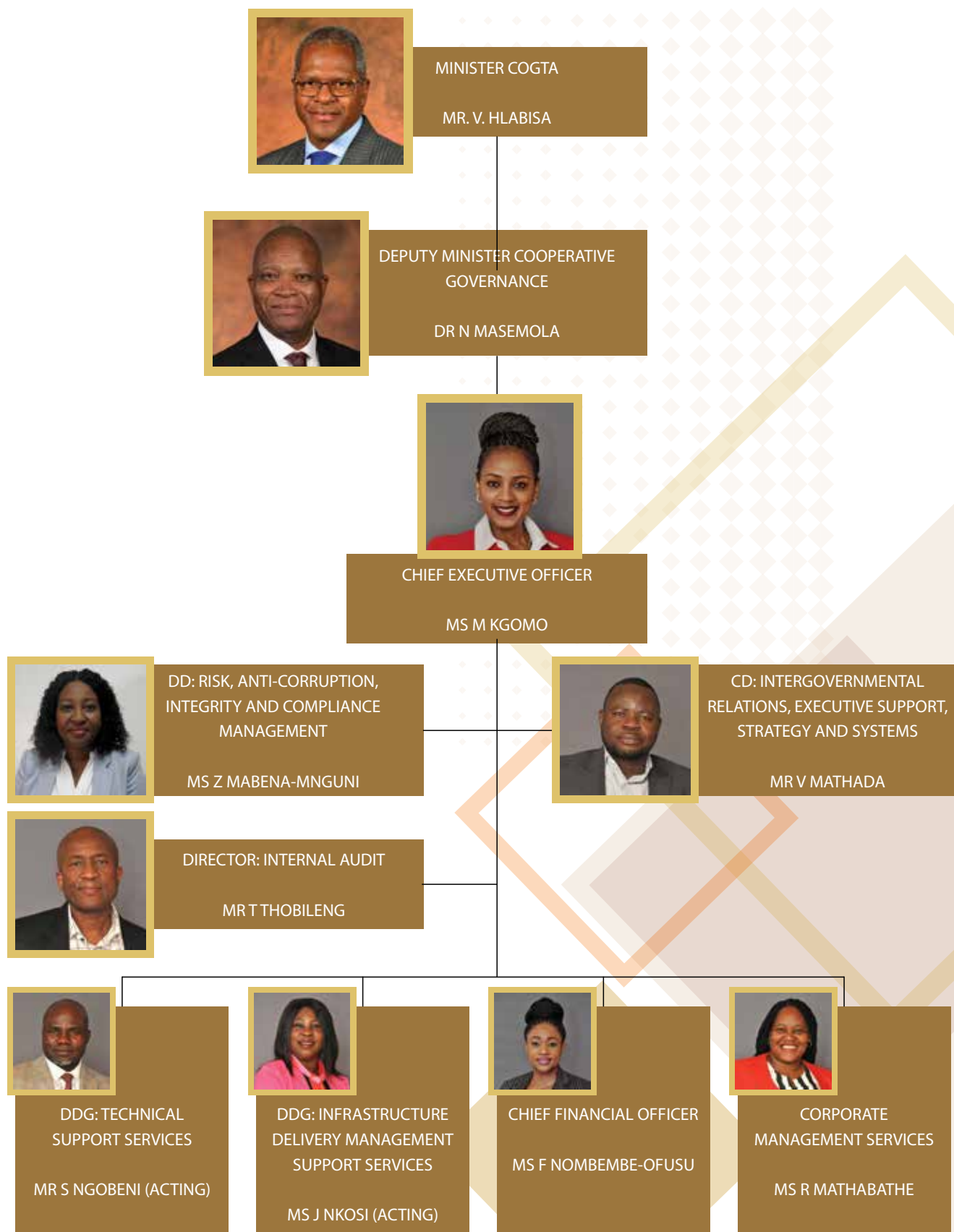
Policy Initiatives

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

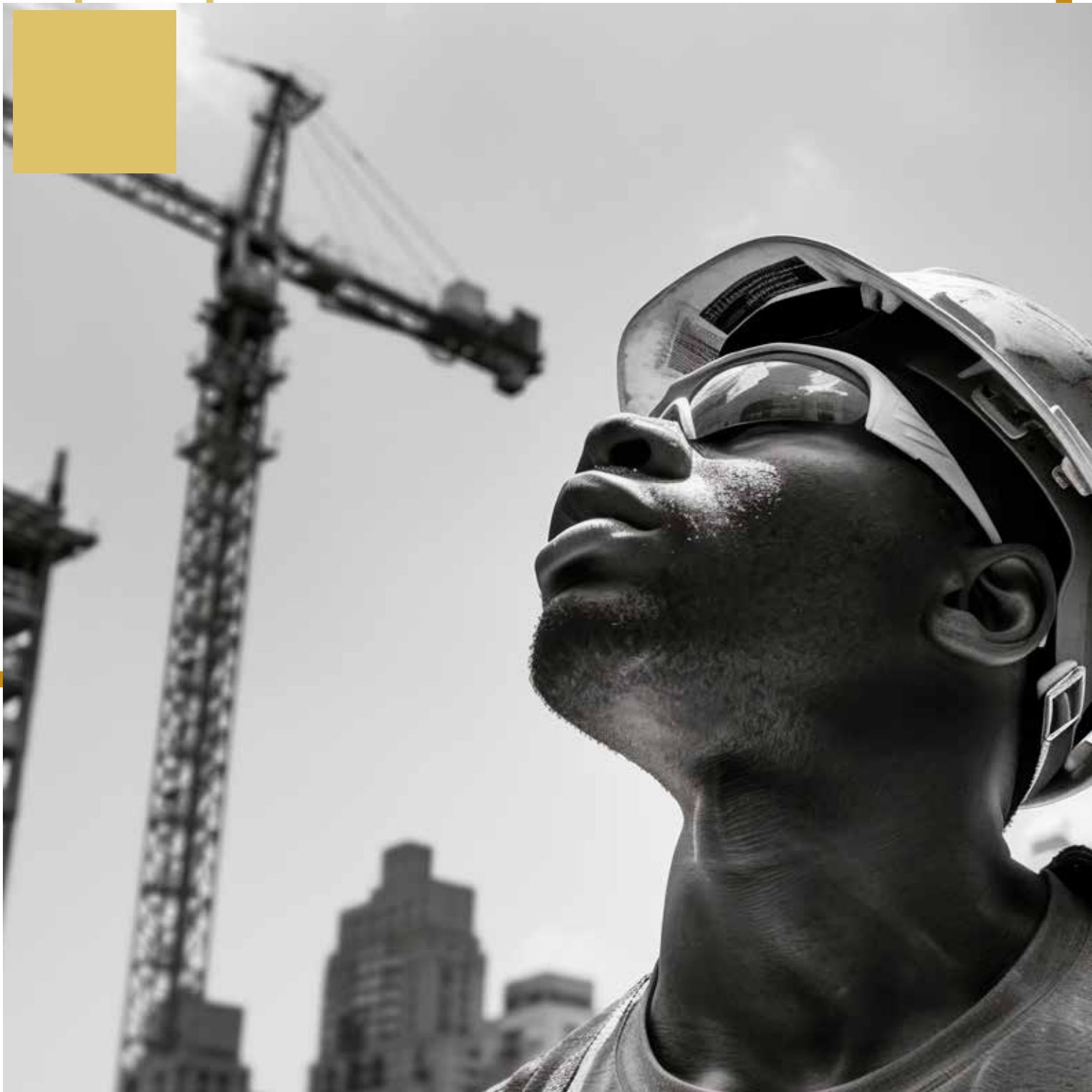
MISA's organisational structure was approved and concurred by the Minister of Public Service and Administration (MPSA) on in July 2023. The approved organisational structure has a total of 244 posts of which 225 posts are funded. In implementing the new structure, management prioritised the filling of technical positions and other critical positions under the support functions. Significant strides have been made in the appointment of engineers and other technical professionals on a permanent basis, in line with the Occupation Specific Dispensation (OSD) within the public service. This achievement has enabled the organisation to progressively reduce its reliance on consultants for performing its core function of providing technical capacity support to municipalities. The approved structure is presented below.

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



PART B:

PERFORMANCE INFORMATION



1. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

The Auditor-General of South Africa (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 pre-determined objectives is included in the report to management, with material findings being reported under the Pre-determined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report.

Refer to page 98 of this Annual Report (AR) for the Auditors Report, published as Part F: Financial Information.

2. OVERVIEW OF PERFORMANCE

2.1 Service Delivery Environment

In the year under review, MISA continued with the provision of technical support targeted mainly at the 22 municipalities identified as the most distressed during the assessment previously conducted by the Department of Cooperative Governance (DCoG). In certain instances, support was provided to the remaining municipalities within the list of 66 most distressed municipalities in the country. This work was linked with the output indicators and concomitant targets in the approved Annual Performance Plan (APP) for the entity as well as the Municipal Performance Turnaround Actions (MPTAs). Key successes in this regard includes improvement in the spending of Municipal Infrastructure Grant (MIG) allocations by municipalities with past record of consistent underspending, expansion of access to key basic services, spatial planning, increased focus on general maintenance of infrastructure and the training of both municipal officials and learners on key aspects of municipal infrastructure development and management. There was limited success in ensuring that targeted municipalities improve the performance of their wastewater and water treatment works to improve their blue and green drop ratings. This was due mainly to capacity challenges within the organisation. The entity will continue to support municipalities in this area in the next financial year in collaboration with relevant stakeholders to leverage on their expertise and financial resources.

Simultaneously, the entity was assigned the responsibility of driving the implementation of two infrastructure projects, each in Emfuleni local municipality and uThukela district municipalities as part of MIG Schedule 6B programme. This programme enables National Government to directly intervene in municipalities with records of consistent underspending, with the aim of accelerating the implementation of municipal infrastructure. Notwithstanding intermittent delays arising from unfavourable weather and teething procurement during the procurement stage, both projects were successfully completed. MISA also continues to play an implementing agent role in respect to the Eastern Seaboard Development (ESD) during the year under review. A key success in this regard was groundswell of commitments by key stakeholders in the region to the rollout of the development.

The biggest challenge faced by the entity in the year under review and will most likely persist, is the exponential increase in demand for its technical support due to the increasingly high number of municipalities struggling to effectively perform the infrastructure delivery functions. This is attributable to continuous dissemination of technical skills in Local Government and inadequate investment in the maintenance and refurbishment of existing infrastructure in the past. Increasing demand for support from MISA is incongruent with constant levels of both financial and human resources at its disposal. It is envisaged that the ongoing rollout of the long-term strategy for the entity adopted in 2024 could somewhat alleviate this challenge.

2.2 Organisational environment

In the year under review, the entity experienced delays in the filling of two positions for Deputy Director-General (DDG) to head each of the two programmes. A myriad of factors contributed to these delays. The main two factors were changes in political leadership after the general elections held in 2024 and lengthy processes of obtaining approval from the Department of Public Service and Administration (DPSA) before embarking on the recruitment process. The requirement of approval was introduced as a control mechanism to give effect to the austerity measures instituted by the National Treasury (NT) during the year under review. Delayed approval also contributed to the sharp increase in the vacancy rate to 20%, reflecting that only 180 of 225 funded positions were filled as at the end of the financial year under review.

To close the gap at top management echelons, each of the two programmes were headed by officials appointed in acting capacity throughout the year. It is projected the process of filling these two key leadership positions will be concluded by the end of the second quarter of the next financial year. Similarly, the process of filling other vacancies on the approved structure is expected to progress well in the next financial year given that approval has since been received.

MISA has been and will continue to run an Employee Health and Wellness Programme (EHWP) since March 2024. Through this programme the entity provides a range of services aimed at supporting municipalities on both life and workplace challenges that may adversely impact on their general wellbeing and in turn their performance at work. A key element of employee wellness was a climate survey conducted by the specialist service provider procured to implement the EHWP. This survey culminated in an action plan based on the recommendations emanating from the survey outcome towards improving the working environment. The implementation of this plan is critical to organisational performance in the future.

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.	An effective water management system for the benefit of all.	Stabilising Non-Revenue Water in selected municipalities.	5% Decrease in Non-Revenue Water in selected municipalities.	
	Efficiency in Infrastructure Management.	Increased percentage of operational expenditure spent on operations and maintenance in districts.	8% Of operational expenditure spent on Operations and Maintenance in all 44 Districts.	
		Increase in the percentage expenditure on MIG.	90% Of MIG receiving municipalities spending at least 90% of MIG.	
		Improved compliance on Infrastructure procurement related Legislation.	40 Municipalities with improved compliance on Infrastructure procurement related Legislation.	
	Enhanced Intergovernmental and inter-departmental coordination through the implementation of the District Development Model (DDM).	Number of District and metro spaces with identified infrastructure related interventions implemented.	45 Dysfunctional District and metro spaces.	
	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.	

Impact statement: Improved access to sustainable services through the strengthening of municipalities' capacity to provide reliable municipal infrastructure in a manner that creates jobs for local communities and contribute to economic growth.				
MTSF Priority	Outcome	Outcome Indicator	Five-year Target	
Spatial integration, Human Settlements and Local Government.	A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas.	Number of districts supported with the development and/or implementation of SPLUMA compliant plans in line with the District Development Model.	44 Districts supported 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 year under review, MISA made strides, through its technical support programmes to assist municipalities with the development and implementation of corrective action plans aimed at reducing non-revenue water losses. This was achieved through collaborations with the Department of Water and Sanitation, the DCoG and the South African Local Government Association (SALGA). Several municipalities were supported to access funds for repair and maintenance of dilapidated water and wastewater infrastructure from their MIG allocations. This has gone a long way in improving provision of water and wastewater services to households.

Municipal officials were afforded the opportunity to sharpen their skills through technical training courses on various infrastructure topics. The training courses afforded municipal officials the opportunity to interact and learn from each other through exchanging practical work experiences. For example, municipal officials from low-to medium capacity municipalities were afforded opportunities to share knowledge and skills with those coming from high- capacity municipalities on the use of innovative solutions to resolve infrastructure operations and maintenance challenges. These initiatives undertaken in the 2024/25 FY to improve efficiency in Infrastructure Management, through increased municipal technical capacity, include the following:

- MISA contributed towards creating a technical skills pipeline in municipalities through the placement of 350 youth (learners and candidates) in host municipalities across the country.
- A total of 500 municipal officials attended MISA facilitated technical skills training courses in areas such as:
 - Road Construction, Maintenance & Rehabilitation.
 - General Conditions of contracts (GCC) 2015.
 - Estimating, Costing and Pricing of Construction.
 - Advanced Water Treatment Processes.
 - Spatial Planning and Land Use Management Act (SPLUMA) Guidelines for Special Development Framework.
 - Pressure pipeline and pump station design and specifications.
 - Development of Asset Management Plans.

Municipalities are faced with limited technical knowledge and skills, weak leadership capacity, poor governance and operational inefficiencies to promote self-reliance and sustainability so that they can reduce dependency on external support. These challenges also manifest in infrastructure procurement constraining the effective delivery of infrastructure investment. Subsequently, 22 distressed municipalities were prioritised and supported in the alignment of Infrastructure Procurement Policies with Legislation and regulations to improve efficiency and effectiveness in the supply chain processes, contract management, planning and budgeting programme and project management, and operations and maintenance. Though the impact on these areas may not be immediate, there are improvements showing on the alignment of policies, supply chain processes and the ability of municipalities to institutionalise standardised processes and procedures like Local Government Framework for Infrastructure Delivery and Procurement Management (LG FIDPM) and Local Government Infrastructure Delivery Management System (LG IDMS).

Key achievements for the project management programme during the 2024/25 FY was the effective co-ordination and management of the Eastern Seaboard Development, a DDM catalytic programme that fosters the integration of coordinated planning, budgeting, and implementation across National, Provincial, Local Government as well as traditional leadership, to drive spatially referenced transformation and accelerated infrastructure development. This Intergovernmental effort culminated in the finalisation of the Regional Master Investment Plan, which was used as an investment framework to mobilise investments from key sector departments for the initial bulk infrastructure investment in transport, human settlements, and tourism sectors, which amounted to over R2,7 billion of investments. Work to increase investments for the Region will continue in FY2025/26 in both the public and private sectors.

The Infrastructure Financing Unit's achievement for the 2024/25FY was consultations and engagements with the district municipalities within the Eastern Seaboard region, and based on the Regional Master Plan priority list, 4 projects were selected and subsequently assisted with project preparation and packaging. Furthermore, the Matzikama and Cederberg LMs were assisted with the development of the project proposals that were submitted to Infrastructure South Africa for consideration to be supported. During 2024/25, another key achievement has been the mobilisation of investment commitment of R5,038 billion (From Blue Solutions and Geodyn Solutions) through alternative and innovative mechanisms against an annual target of mobilising a R2bn investment. The commitment from Geodyn is earmarked for the technology required for the waste management project in Endumeni Local Municipality. The project has the potential to incorporate other surrounding local municipalities, which can increase the financial commitment. The commitment from Blue Energy solutions is earmarked for the implementation of Renewable Energy (RE) projects. They also play the role of a guarantor where the Central Energy Fund (CEF) intends to finance the projects. This is a game changer and an innovation that can unlock many projects, given that the National Government does not provide guarantees for municipal projects.

Some of the progress towards achieving our five-year targets is receiving unqualified audit opinions (clean audit) on both our financial and non-financial performance information since the start of implementation of the 2020 – 2025 Strategic Plan, in addition to 100% implementation of our Ethics Management plan deliverables. Our capacity building initiatives undertaken since the 2020/21 FY include:

- A total of 1 831 skills development opportunities offered to unemployed youth through the candidacy, apprenticeship and experiential learnership programmes.
- 562 bursary opportunities offered to unemployed students who were studying towards obtaining technical qualifications that are relevant for municipal infrastructure planning, delivery, operation and maintenance.
- 2 826 municipal officials attended technical training infrastructure management courses.
- 494 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: Intergovernmental Relations, Executive Support, Strategy and Systems (IGR & ESSS)

Intergovernmental Relations, 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 facilitates the formulation of the SP and APP. It is also responsible for institutional performance assessment and for conducting programme evaluation.

Intergovernmental Relations and Executive Support provides executive support services to the CEO and Management. It also provides administrative and secretariat support to the agency's management and oversight structures, including the Audit Committee (AC).

Government Information and Communication Technology (GICTM) performs Information Communication Technology (ICT) business enablement and Governance services. It is also responsible for the information and knowledge management function.

Internal Audit Support Services reports to the CEO for administrative purposes and functionally to the AC. It facilitates the performance of internal and forensic audits. It also provides technical and administrative support to the AC.

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 CEO and is separate from Internal Audit Services.

3.1.2 Sub-programme: Corporate Management Support Services (CMSS)

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

Human Resource Management and Organisational Development Support Services (HRM & ODSS) provides HR 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 National and International laws. It also assists the organisation with the drafting and monitoring of Service Level Agreements (SLA's) between MISA and external parties.

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

Communications are 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 CEO. 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 (SCM) 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
- A functional, efficient and integrated Government.

Table 3.1.4.1: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The table below presents performance against output targets under the Administration Programme in the approved and re-tabled APP for the organisation. None of the output indicators under the Administration Programme were revised during the year under review.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
A capable and ethical Government.	Approved Ethics Management Plan implemented.	Percentage implementation of the deliverables in the Ethics Management Plan.	New.	New.	100% Implementation of the deliverables in the Ethics Management Plan by 31 March 2025.	Achieved. 100% Implementation of the deliverables in the Ethics Management Plan by 31 March 2025	N/A.	N/A.
	Implementation of the approved Corporate Services Improvement Plan (CSIP).	Percentage implementation of the deliverables in the approved CSIP.	New.	New.	85% Implementation of the deliverables in approved CSIP by 31 March 2025.	Achieved. 85% Implementation of the deliverables in approved CSIP by 31 March 2025.	N/A.	N/A.
Functional, efficient and Integrated Government.	Unqualified audit opinion on Annual Financial Statements (AFS).	Achieve unqualified audit opinion on AFS.	Achieve unqualified audit opinion on AFS 2021/22.	Unqualified audit opinion on AFS 2022/23.	Unqualified audit opinion on AFS 2023/24.	Achieved. Achieved unqualified audit opinion on AFS 2023/24.	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 fifth consecutive year for the 2023/24 FY. The organisation was also able to implement all their planned deliverables within the Ethics Management Plan for the 2024/25 FY.

Linking Performance with Budget

Programme	2024/25			2023/24		
	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	136 933	104 000	32 933	106 834	93 130	13 704

The level of spending over the entire financial year for the programme stood at 76% as at 31 March 2025. Compensation of Employees accounted for 48% of the spending, which amounted to R49 736 million. The balance was spent on goods and services. A large part of the underspent amount under the allocated budget for this programme, relates to compensation of employees caused by delays in the filling of vacancies on the approved staff establishment across the entire organisation.

Strategy to Overcome Areas of Under Performance

Annual performance targets for all Key Performance Indicators (KPI's) under the Administration Programme were achieved. Accordingly, it is not necessary to devise a strategy to overcome under performance.

3.2 PROGRAMME 2: TECHNICAL SUPPORT SERVICES

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

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

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

The Programme consists of the following sub-programmes:

3.2.1 Sub-programme: Infrastructure Assessment and Analysis

The primary aim of the sub-programme is to lay a sound basis for establishing the support requirements for each of the selected municipalities. This determination is based on the outcome of the assessment of infrastructure assets condition, review of infrastructure maintenance budgets and expenditure trends and assessment of backlogs on access to basic services, among other focus areas. This assessment allows MISA to design support, and intervention plans that appropriately response to the pre-determined 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 IPDM is responsible for coordinating other role-players such as sector departments, State-Owned Companies (SOC's) and Provincial Government towards the integrated delivery of municipal infrastructure.

3.2.3 Sub-programme: Capacity Building

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

3.2.4 Programme Institutional Outcome(s) contribution

The programme contributes to the following outcomes:

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

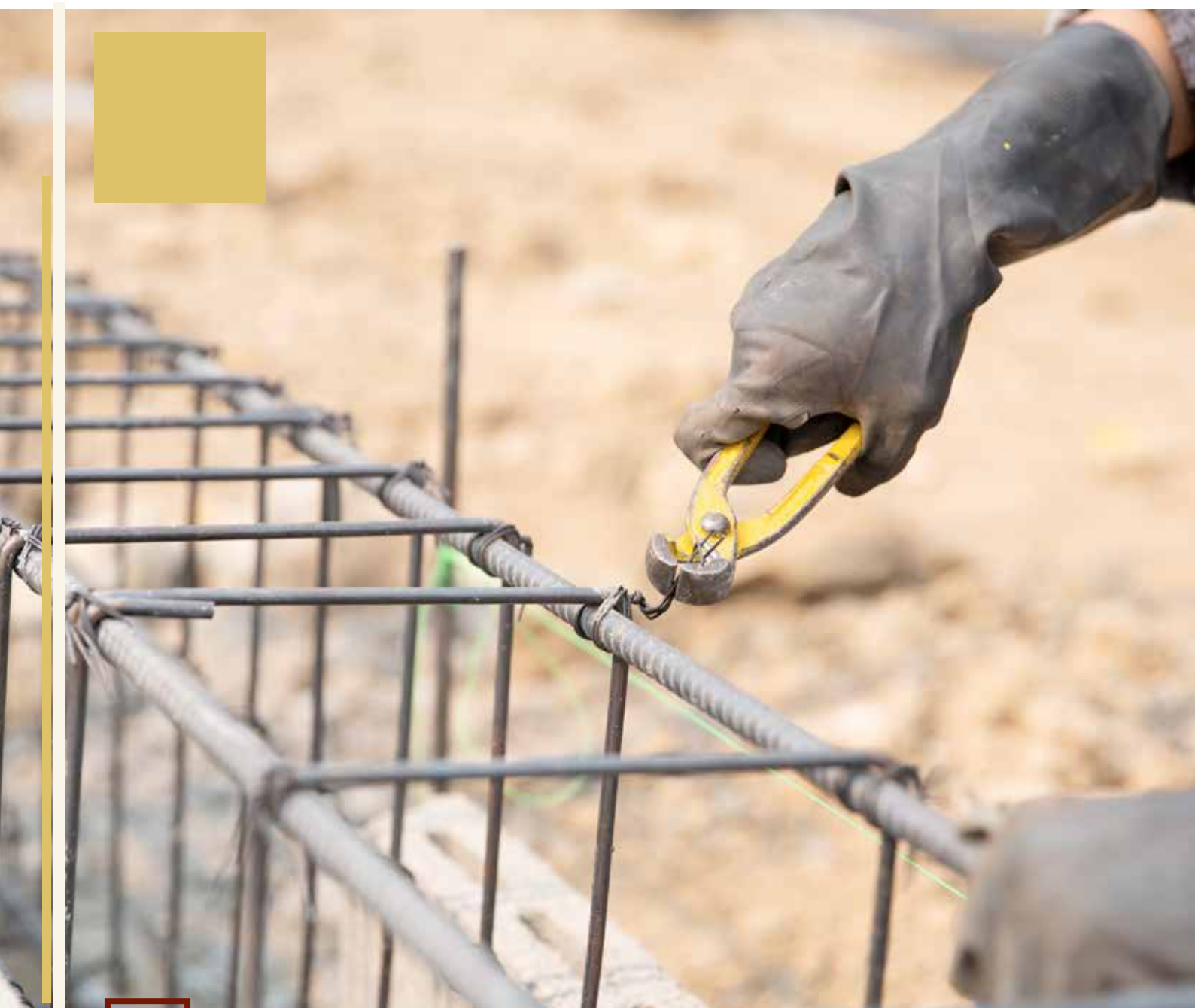


Table 3.2.4.1: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The table below depicts reported performance against output targets for the Technical Support Services programme in the originally tabled APP for 2024/25. Reported performance against each of the indicator targets contained in this table was up to the date of re-tabling of the APP.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
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 an average of 5%.	20.	22 Municipalities reducing non-revenue water by 5% on average.	3 Municipalities reducing non-revenue water by 5% on average.	Progress Reports on the support provided to the 3 municipalities reducing non-revenue water by 5% on average.	Progress on track against the achievement of this annual planned output indicator.	N/A.	The use of quantitative percentage-based measurement criteria, resulted in issues around inconsistent data inputs, resulting in the agency's indicators and their targets considered not useful for measuring and reporting on progress against MISA's planned objectives.
Quality and quantum for infrastructure investment to support growth and job creation improved.	Dysfunctional municipalities increasing job creation through mainstreaming Labour Intensive Construction (LIC) on Municipal infrastructure projects.	Number of dysfunctional municipalities achieving Expanded Public Works Programme (EPWP) Infrastructure Sector job opportunities allocations through the	25.	25 Municipalities achieve their respective EPWP Infrastructure Job opportunities allocation through	30 Municipalities achieve 75% of their respective EPWP Infrastructure Job opportunities allocation	Progress Reports on the support provided to the 30 municipalities achieve 75% of their respective EPWP Infrastructure	Progress on track against the achievement of this annual planned output indicator.	N/A.	The use of quantitative percentage-based measurement criteria, resulted in issues around inconsistent data inputs, resulting in the agency's indicators and their targets considered not

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
		mainstreaming of LIC methods.		mainstreaming of LIC methods.	through mainstreaming of LIC methods by 31 March 2025.	Job opportunities allocation through mainstreaming of LIC methods by 31 March 2025.			useful for measuring and reporting on progress against MISA's planned objectives.
Efficiency in Infrastructure Management.	Improved municipal Infrastructure Asset Management practices.	Number of dysfunctional municipalities with increased MIG allocations for repairs & refurbishment (given benchmark and baseline) using 10% of their MIG allocations.	New.	10 Municipalities with increased allocation of MIG funding for municipal infrastructure repairs & refurbishment utilising 10% of their MIG budget.	25 Municipalities with increased allocation of MIG funding for municipal infrastructure repairs & refurbishment utilising 10% of their MIG budget.	25 Municipalities supported with increased allocation of MIG funding for municipal infrastructure repairs & refurbishment utilising 10% of their MIG budget.	N/A.	N/A.	The use of quantitative percentage-based measurement criteria, resulted in issues around inconsistent data inputs, resulting in our indicators and their targets considered not useful for measuring and reporting on progress against MISA's planned objectives.
	Increased access to basic services on water, roads,	Number of MIG receiving municipalities with increased access to	44	60% Of 2023/24 MIG allocations spent on municipal infrastructure	55 MIG receiving municipalities with increased	55 MIG receiving municipalities supported with increased access to basic	N/A.	N/A.	Ambiguous definitions made it difficult to measure and track performance accurately, which can

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/ Annual Targets
	solid waste and sanitation for MIG receiving municipalities.	basic services on water, roads, solid waste and sanitation.		by 31 March 2024.	access to basic services on water, roads, solid waste and sanitation.	services on water, roads, solid waste and sanitation.			hinder the evaluation of progress and impact.
A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas.	Dysfunctional municipalities with SPLUMA compliance plans implemented.	Number of dysfunctional municipalities with SPLUMA compliance plans implemented.	30.	15 Identified dysfunctional municipalities implement SPLUMA compliant spatial plans.	22 Identified dysfunctional municipalities with SPLUMA compliance plans implemented.	Progress Reports on the technical support provided to the 22 identified dysfunctional municipalities with SPLUMA compliance plans implemented.	Progress on track against the achievement of this annual planned output indicator.	N/A.	With the formation of the GNU, the word dysfunctional municipalities are not being used anymore and has been replaced by the word distressed municipalities.
Improved municipal capacity to deliver basic services, quality infrastructure	Improved functionality of Wastewater and Water Treatment Works (WWTWs) within	Number of WSA with WWTWs improved from a critical risk rating to a lesser risk rating.	New.	22 Dysfunctional Critical Risk WWTWs improved to poor Risk WWTWs.	3 WSA with WWTWs improved from a critical risk rating to a lesser risk rating.	Baseline Report developed and water conditions assessments undertaken.	Progress on track against the achievement of this annual planned output indicator.	N/A.	Ambiguous definitions made it difficult to measure and may lead to incorrect or inaccurate calculations of performance measurement.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
and integrated public transport to increase household access to basic services.	Water Services Authority (WSA).	Number of WSA with WTWs improved from a critical risk rating to a lesser risk rating.	New.	22 Dysfunctional Critical Risk WTWs improved to poor Risk WTWs.	3 WSA with improved risk rating to a lesser risk rating.	Baseline Report developed and water conditions assessments undertaken.	Progress on track against the achievement of this annual planned output indicator.	N/A.	Ambiguous definitions made it difficult to measure and may lead to incorrect or inaccurate calculations of performance measurement.
	Increased household access to Electricity provision.	Percentage decrease in households without access to electricity supply services in the 22 selected municipalities.	New.	2% Decrease in households without access to electricity supply services in selected dysfunctional municipalities	2% Decrease in households without access to electricity supply services in the 22 selected municipalities.	Progress Reports on the technical support provided with regard to 2% decrease in households without access to electricity supply services in the 22 selected municipalities.	Progress on track against the achievement of this annual planned output indicator.	N/A	The use of quantitative percentage-based measurement criteria, resulted in issues around inconsistent data inputs, resulting in our indicators and their targets considered not useful for measuring and reporting on progress against MISA's planned objectives.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
		Percentage decrease in the electricity demand in the 22 selected municipalities.	New.	10% Decrease in electricity demand in selected municipalities.	15% Decrease in electricity demand in the 22 selected municipalities.	Progress Reports on the technical support provided with regard to 15% decrease in electricity demand in the 22 selected municipalities.	Progress on track against the achievement of this annual planned output indicator.	N/A.	The use of quantitative percentage-based measurement criteria, resulted in issues around inconsistent data inputs, resulting in our indicators and their targets considered not useful for measuring and reporting on progress against MISAs planned objectives.
	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.	22 Municipalities provided with technical capacity and skills development.	25 Municipalities provided with technical capacity and skills development.	13 out of 15 dysfunctional municipalities provided with technical capacity and skills development for the two quarters under review.	-2.	Support to 11 of the 25 targeted municipalities commenced earlier than planned (i.e. in the 1st Quarter) and continued through second quarter with only	With the formation of the GNU, the word dysfunctional municipalities are not being used anymore and has been replaced by the word distressed municipalities.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
	.							two (2) new municipalities supported in the second quarter.	
	Improved infrastructure resilience to climate change in municipalities.	Number of dysfunctional municipalities with improved infrastructure resilience to climate change.	New.	10 Identified municipalities implement flood risk resilient infrastructure.	15 Identified dysfunctional (disaster prone) municipalities with improved infrastructure resilience to climate change.	15 Municipalities supported with improved infrastructure resilience to climate change.	N/A.	NA.	With the formation of the GNU, the word dysfunctional municipalities are not being used anymore and has been replaced by the word distressed municipalities. Unclear targets make it difficult to measure and track performance accurately.

Table 3.2.4.2: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The table below depicts reported performance against annual output targets for the Technical Support Services programme in the re-tabled APP for 2024/25.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
Effective water management system for the benefit of all.	Water Conservation and Water Demand Management (WC/WDM) implemented in municipalities to reduce non-revenue water.	Number of municipalities provided with technical support to implement WC and WDM aimed at reducing non-revenue water.	20.	22 Municipalities reducing non-revenue water by 5% on average.	3 Municipalities provided with technical support to implement WC and WDM aimed at reducing non-revenue water.	Achieved. 3 Municipalities provided with technical support to implement WC and WDM aimed at reducing non-revenue water.	N/A.	N/A.
	Municipalities incorporating LIC methods in implementing grant funded infrastructure projects.	Number of municipalities provided with technical support to incorporate LIC methods in implementing grant funded infrastructure projects.	25.	25 Municipalities achieve their respective EPWP Infrastructure Job opportunities allocation through mainstreaming of LIC methods.	30 Municipalities provided with technical support to incorporate LIC methods in implementing grant funded infrastructure projects.	Achieved. 30 Municipalities provided with technical support to incorporate LIC methods in implementing grant funded infrastructure projects.	N/A.	N/A.
Quality and quantum for infrastructure investment to support growth and job creation improved.								

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
Efficiency in Infrastructure Management.	Improved municipal Infrastructure Asset Management practices.	Number of municipalities provided with technical support to prioritise MIG budgets towards repairs, maintenance, and refurbishment of infrastructure assets.	New.	10 Municipalities with increased allocation of MIG funding for municipal infrastructure repairs & refurbishment utilising 10% of their MIG budget.	25 Municipalities provided with technical support to prioritise MIG budgets towards repairs, maintenance, and refurbishment of infrastructure assets.	Achieved. 25 Municipalities provided with technical support to prioritise MIG budgets towards repairs, maintenance, and refurbishment of infrastructure assets.	N/A.	N/A.
	MIG receiving Municipalities increasing access to basic services on water, roads, solid waste and sanitation.	Number of MIG receiving municipalities provided with technical support aimed at increasing household access to basic services (water, roads, solid waste and sanitation).	44.	60% Of 2023/24 MIG allocations spent on municipal infrastructure by 31 March 2024.	55 MIG receiving municipalities provided with technical support aimed at increasing household access to basic services (water, roads, solid waste and sanitation).	Achieved. 55 MIG receiving municipalities provided with technical support aimed at increasing household access to basic services (water, roads, solid waste and sanitation).	N/A.	N/A.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas.	Municipalities implementing SPLUMA Compliant Plans.	Number of municipalities provided with technical support in order to be SPLUMA Compliant.	30.	15 Identified dysfunctional municipalities implement SPLUMA Compliant Spatial Plans.	22 Municipalities provided with technical support in order to be SPLUMA Compliant.	Achieved. 22 Municipalities provided with technical support in order to be SPLUMA Compliant.	N/A.	N/A.
Improved municipal capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services.	WSAs implementing corrective action plans.	Number of WSAs provided with technical support for implementation of the corrective action plans for WWTWs.	New.	22 Dysfunctional Critical Risk WWTWs improved to poor Risk WWTWs.	5 WSAs provided with technical support for implementation of the corrective action plans for WWTWs.	Not Achieved.	-5.	Some municipalities supported were unable to fully implement their corrective action plans due to inadequate budgets to fund both the technical work and training of process controllers to performance the work towards improving the WWTWs.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
		Number of WSAs provided with technical support for implementation of the corrective action plans for WTWs.	New.	22 Dysfunctional Critical Risk WTWs improved to poor Risk WTWs.	5 WSAs provided with technical support for implementation of the corrective action plans for WTWs.	Not Achieved.	-5.	Some municipalities supported were unable to fully implement their corrective action plans, due to inadequate budgets to fund both the technical work and training of process controllers to perform the work towards improving the WTWs.
	Municipalities provided with technical support in electricity provision to households.	Number of municipalities provided with technical support in electricity provision to households.	New.	2% Decrease in households without access to electricity supply services in selected dysfunctional Municipalities.	22 Municipalities provided with technical support in electricity provision to households.	Achieved. 22 Municipalities provided with technical support in electricity provision to households.	N/A.	N/A.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
		Number of municipalities provided with technical support in electricity demand.	New.	10% Decrease in electricity demand in selected municipalities.	22 Municipalities provided with technical support in electricity demand.	Achieved. 22 Municipalities provided with technical support in electricity demand.	N/A.	N/A.
	Municipalities capacitated through technical skills development initiatives for improved service delivery.	Number of municipalities provided with technical skills development opportunities for improved service delivery.	New.	22 Municipalities provided with technical skills development opportunities for improved service delivery.	25 Municipalities provided with technical skills development opportunities for improved service delivery.	Achieved. 25 Municipalities provided with technical skills development opportunities for improved service delivery.	N/A.	N/A.
	Municipalities with infrastructure that has disaster and climate change adaptation measures.	Number of municipalities supported with disaster and climate change adaptation measures.	New.	10 Identified municipalities implement flood risk resilient infrastructure.	15 Municipalities supported with disaster and climate change adaptation measures.	Achieved 23 Municipalities supported with disaster and climate change adaptation measures.	+8.	More municipalities required support due severe storm flood damage in Kwazulu-Natal, Eastern Cape and Free State Provinces. The disaster occurred in

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
								April 2024 in the KZN and EC and later in October 2024 and it occurred again in the EC. MISA had to assign additional technical experts to extend support to these municipalities.

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

The main infrastructure related challenges faced by municipalities include high water losses, poor carrying capacity and bad state of infrastructure, as well as lack of requisite capabilities to plan, deliver, operate and maintain infrastructure. In the year under review, MISA made strides, through its technical support programmes to assist municipalities with the development and implementation of corrective action plans aimed at reducing non-revenue water losses. This was achieved through collaborations with the Department of Water and Sanitation, the DCoG and the SALGA. Several municipalities were supported to access funds for repair and maintenance of dilapidated water and wastewater infrastructure from their MIG allocations. This has gone a long way in improving provision of water and wastewater services to households.

Municipal officials were afforded the opportunity to sharpen their skills through technical training courses on various infrastructure topics. The training courses afforded municipal officials the opportunity to interact and learn from each other through exchanging practical work experiences. For example, municipal officials from low-to medium capacity municipalities were afforded opportunities to share knowledge and skills with those coming from high- capacity municipalities on the use of innovative solutions to resolve infrastructure operations and maintenance challenges.

Implementation of MIG funded projects through LIC methods enabled municipalities to create job opportunities whilst developing infrastructure assets. MISA introduced the LIC methods and encouraged municipalities to make the LIC a permanent feature in designing infrastructure projects.

Municipalities that had their infrastructure damaged through natural disasters were supported to conduct assessments, quantify the extent of the damage and package reports to access disaster relief grants. MISA interventions expedited access to disaster funds which allowed the municipalities to build back damaged infrastructure assets.

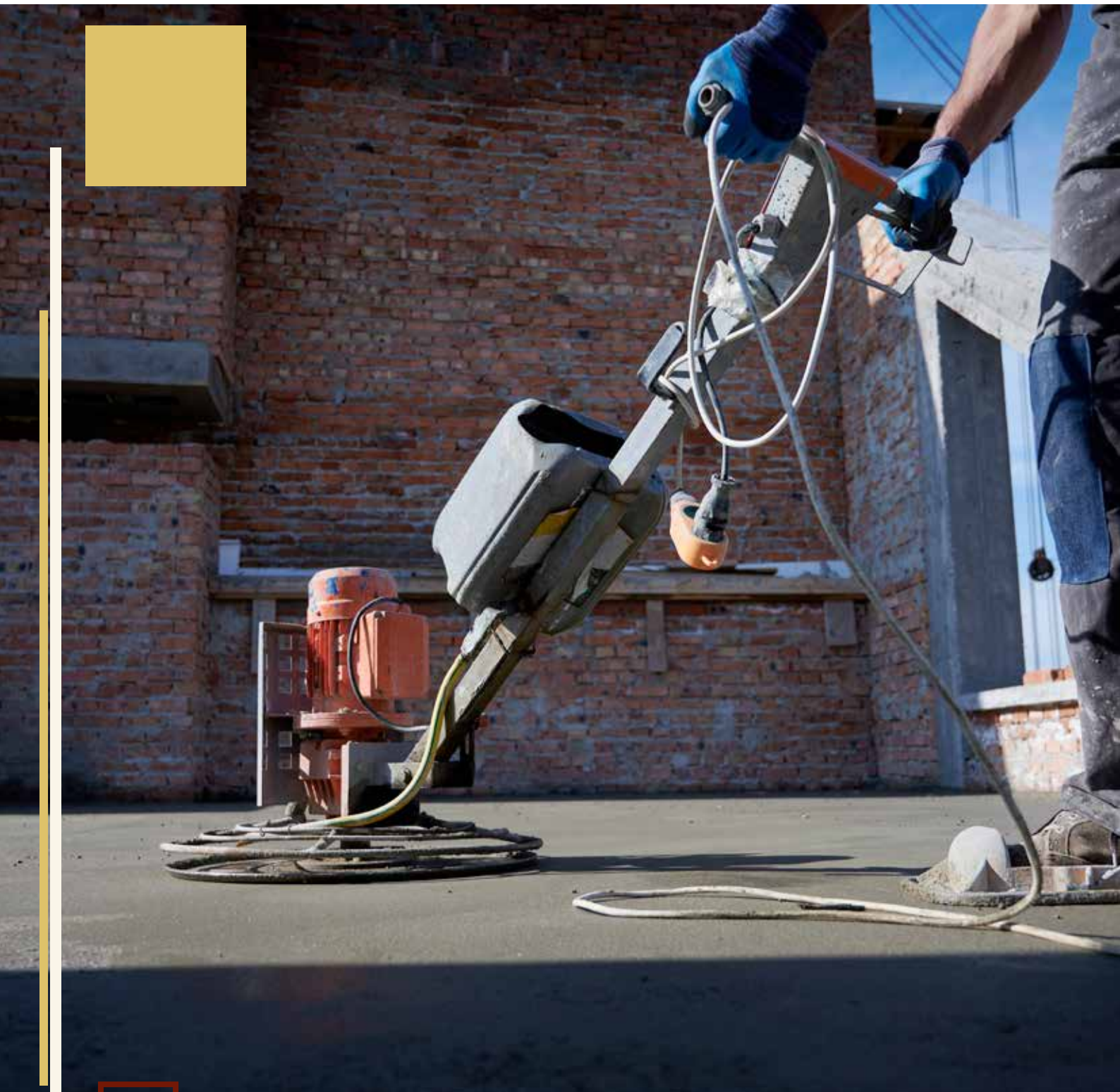
Linking Performance with Budget

Programme	2024/25			2023/24		
	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	244 114	216 469	27 645	241 688	186 231	55 457

The level of spending over the entire financial year for the programme stood at 89% as at 31 March 2025. COE accounted for 64% (R139,152 million) of the actual expenditure, with the balance of R77,317 million going towards goods and services. The high spending level allowed the programme to achieve 9 out of their 11 targets, giving the programme an achievement level of 82% against their performance targets.

Strategy to Overcome Areas of Under Performance

In terms of the technical support provided to the WSAs for implementation of the corrective action plans for both the Waste and Water Treatment Work, the Technical Indicator Description (TID) to be revised to qualify the role played by the WSA and MISA and clears the ambiguity. Going forward quarterly progress reports will be provided as a built-towards delivery of the annual activity, with these quarterly progress reports specifying the implementation of the corrective action plans.



3.3 PROGRAMME 3: INFRASTRUCTURE DELIVERY MANAGEMENT SUPPORT SERVICES

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

Programme Overview: The programme's objective is to deliver infrastructure projects on behalf of identified municipalities and provide infrastructure financing, procurement and contract management guidance and advice to municipalities. It will focus on the development of institutional capacity of municipalities to procure and contract manage infrastructure projects efficiently and effectively. Through the Programme, MISA should be able to put in place national framework contracts for municipal infrastructure goods and services.

The Programme consists of the following sub-programmes:

3.3.1 Sub-programme: 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 Contracts and Infrastructure Procurement

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

3.3.3 Sub-programme: Infrastructure Financing

The sub-programme facilitates the exploitation of alternative and innovative mechanisms for financing municipal infrastructure and the management of Municipal Infrastructure Grant (MIG) programme. The MIG programme is currently managed by the 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.
- Enhanced Intergovernmental and inter-departmental coordination through the implementation of the DDM.
- Quality and quantum of infrastructure investment to support growth and job creation improved.

Table 3.3.4.1: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The table below depicts reported performance against output targets for the Infrastructure Delivery Management Support Service programme in the originally tabled APP for 2024/25. Reported performance against each of the indicator target contained in this table was up to the date of re-tabling of the APP.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
Efficiency in Infrastructure Management.	Improved procurement practises and turnaround times in awarding of bids.	Number of municipalities completing procurement process for Municipal Infrastructure Grant Projects (MIGP) within the approved procurement schedules.	9.	22 Dysfunctional municipalities applying for Framework contracts and other procurement mechanisms.	22 Municipalities completing procurement process for MIGP within the approved procurement schedules.	7 Municipalities supported in completing procurement process for MIGP within the approved procurement schedules as per the second quarter target.	N/A.	N/A.	Ambiguous definitions made it difficult to measure and track performance accurately, which can hinder the evaluation of progress and impact.
A spatially just and transformed national space economy that enables	ESD financed.	Value of Rand Investment mobilised for the ESD.	New.	New.	R2bn Investment mobilised for the ESD.	Progress Report of resources mobilised as per the second quarter target.	N/A.	N/A.	Ambiguous definitions made it difficult to measure and track performance accurately, which can hinder the evaluation of progress and impact.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25 until date of re-tabling	Deviation from Planned Target to Actual Achievement 2024/25	Reasons for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
equal access to social services and economic opportunities in cities, regions and rural areas.									
Quality and quantum for infrastructure investment to support growth and job creation improved.	Municipalities with access to funding through alternative and innovative mechanisms.	Value of Rand investment for municipal infrastructure through alternative and innovative mechanisms for prioritised municipalities.	New.	5% Increase in infrastructure financing for prioritised municipalities.	Mobilise R2bn investment for municipal infrastructure through alternative and innovative mechanisms for prioritised municipalities.	Progress Report on funding mobilised as per second quarter target.	N/A.	N/A.	Ambiguous definitions made it difficult to measure and track performance accurately, which can hinder the evaluation of progress and impact.

Table 3.3.4.2: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

The table below depicts reported performance against annual output targets for the Infrastructure Delivery Management Support Services programme in the re-tabled APP for 2024/25.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
Efficiency in Infrastructure Management.	Improved procurement practises and turnaround times in awarding of bids.	Number of municipalities completing procurement process for MIGP in line with procurement schedules.	9.	22 Dysfunctional municipalities applying for Framework contracts and other procurement mechanisms.	22 Municipalities completing procurement process for MIGP in line with procurement schedules.	Achieved. 23 Municipalities completing procurement process for MIGP in line with procurement schedules.	+1.	Additional municipality was supported based on a request from the Provincial Manager of Limpopo.
A spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas.	Investment mobilised for the ESD.	Value of investment (Rand) mobilised for the development of Eastern Seaboard region.	New.	New.	Mobilise investment (R2bn) for the development of Eastern-Seaboard region.	Achieved. R2,821 billion of investments (public) mobilised for the development of Eastern-Seaboard region.	+R821 million.	The ESD programme mobilised higher value of investments than targeted through partnership with stakeholders such as SANRAL, Department of Human Settlements and Eastern Cape Parks and Tourism Board.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
Enhanced Intergovernmental and interdepartmental coordination through the implementation of the DDM.	Technical experts deployed in the DDM District spaces through strategic partnerships.	Number of DDM District spaces with technical experts deployed through strategic partnerships.	New.	New.	Deployment of technical experts in 2 DDM District spaces through strategic partnerships.	Not Achieved.	-2.	Due to capacity constraints within the programme responsible for this indicator, MISA solicited support from the National Business Initiative (NBI) through the DCOG- NBI partnership agreement, but the required support was not provided due to resources constraints faced by NBI.
Quality and quantum for infrastructure investment to support growth and job creation improved.	Infrastructure projects prepared for bankability.	Number of infrastructure projects prepared for bankability.	New.	4 Catalytic projects prepared for investment mobilisation within ESD region.	6 Infrastructure projects prepared for bankability.	Achieved. 6 Infrastructure projects prepared for bankability.	N/A.	N/A.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Achievement 2024/25	Deviation from Planned Target to Actual Achievement for 2024/25	Reasons for deviations
	Investment mobilised through alternative and innovative mechanisms.	Value of investment (Rand) mobilised for municipal infrastructure development or refurbishment through alternative and innovative mechanisms.	New.	5% Increase in infrastructure financing for prioritised municipalities.	Mobilise investment (R2bn) for municipal infrastructure development or refurbishment through alternative and innovative mechanisms.	Achieved. R5,038 billion mobilised for municipal infrastructure development or refurbishment through alternative and innovative mechanisms.	+R3, 038 billion.	The overachievement was due to the investors committing to fund municipal projects with relatively higher value than anticipated mainly in Renewable Energy (RE).

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

Key achievements for the project management programme during the 2024/25 FY was the effective co-ordination and management of the ESD, a DDM catalytic programme that fosters the integration of coordinated planning, budgeting, and implementation across National, Provincial, Local Government as well as traditional leadership, to drive spatially referenced transformation and accelerated infrastructure development. Work to increase investments for the region will continue in the 2025/26 FY from both the public and private sectors.

During the 2024/25 FY, another key achievement has been the mobilisation of investment commitment of R5,038 billion (From Blue Solutions and Geodyn Solutions) through alternative and innovative mechanisms against an annual target of mobilising R2bn investment. The commitment from Geodyn is earmarked for the technology required for the waste management project in Endumeni Local Municipality. The project has the potential to incorporate other surrounding local municipalities, which can increase the financial commitment. The commitment from Blue Energy solutions is earmarked for the implementation of renewable energy projects.

Linking Performance with Budgets

Programme	2024/25			2023/24		
	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	73 156	22 009	51 147	129 469	37 844	91 625

The level of spending over the entire financial year for the IDMS programme stood at 30% as at 31 March 2025, with 50% (R10 902 million) going towards Compensation of Employees and the Eastern Seaboard expenditure amounting to 39% (R10,571 million). The underspending against the budget allocated to the programme in the year under review was earmarked for the ESD.

Strategy to Overcome Areas of Under Performance

In terms of the deployment of technical experts to the identified DDM districts spaces, the programme will be engaging the two districts to be supported in preparation of the deployment of the technical experts and will conclude on the development of terms of references for the appointment of a service provider to deploy these technical experts.

Strategies to improve expenditure include supporting the four district municipalities with infrastructure investment to increase access to water, augmenting MISA capacity with additional programme management and resources and the establishment of a dedicated entity for the long-term programme and implementation management of the ESD.

4. REVENUE COLLECTION

Sources of revenue	2024/2025			2023/2024		
	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	-	93	(93)	-	1 095	(1 095)
Interest Received	-	16 141	(16 141)	-	11 927	(11 927)
MIG 6B Management Fee	-	3 227	(3 227)	-	-	-
Total	-	19 461	(19 461)	-	13 022	(13 022)

The main component of MISA's revenue is the grant transfer from NT 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 rate of project implementation. 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 apprentices and is usually not a significant amount which is based on the collaboration arrangement that MISA has with LGSETA.

MISA was appointed as an implementing agent by DCoG where MISA was to charge a management fee of 5% on all amounts paid on behalf of DCoG. The agreement is on a cost reimbursement model, where MISA pays the suppliers and claim the amounts paid with 5% management fee.

5. CAPITAL INVESTMENT

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

PART C:

GOVERNANCE



1. INTRODUCTION

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

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

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

A system of Corporate Governance for MISA entails policies, Standard Operating Procedures (SOPs), Management and Operational Committee, assurance structures and oversight authorities. Together, these elements constitute an Internal Control and Risk Management system for the entity. The roles of oversight structures were explained above. It has been through the implementation of this system that was behind the unqualified audit opinion without material findings for each of the past six consecutive financial years.

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

2. PORTFOLIO COMMITTEES

MISA was invited to brief the PC on CoGTA on specific matters. Accordingly, MISA Management attended the Committee meetings as summarised in the table below:

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
Portfolio Committee on Cooperative Governance and Traditional Affairs (CoGTA)	04 September 2024	Update on the ESD.	There is a need for a clear plan towards addressing service delivery challenges with Timelines.	In respect of Service Delivery, Municipalities are supported directly by MISA who have provincially based teams. The MIG programme is implemented through provinces and MISA. The support provided by DCoG is done with the provinces. Provinces such as Mpumalanga, KZN, Western Cape and Eastern Cape provide focused hands-on support to MIG receiving municipalities and have seen improvements in the implementation of the MIG programme.
			It is crucial to setup a programme management vehicle with dedicated project teams to drive the implementation.	A technical review of the Special Purpose Vehicle (SPV) model is currently underway, to inform the establishment and resourcing of a suitable SVP for the long-term programme management of the ESD.
			Need to review the issue of advisory with a view to either making it mandatory or removing it from the legislation in consultation with the Department of Public Service and Administration (DPSA).	National Treasury is in the process of engaging all government components with the aim of determining the appropriate institutional form for each of them. The role of the Advisory Board will be addressed after the decision on whether MISA should continue in its current form as a Government component or a different form.

COMMITTEE	DATE OF MEETING	FOCUS AREA	AREAS OF RISK	REMEDIAL ACTIONS IMPLEMENTED
	16 October 2024.	Briefing on MISA's Annual Report (AR) for 2023/24.	None.	None.
	25 March 2025.	Briefing by CoGTA on financial and non-financial performance for the second and third quarter performance 2024/25.	CoGTA should enhance the level of support provided by the Provincial Government to the Local Government. This will help clear the notion that the Local Government is being protected by the Provincial Government from accountability. This will dispel the notion of a deliberate interference by officials and politicians in the affairs of Local Government.	In respect of Service Delivery, Municipalities are supported directly by MISA who have provincially based teams. The MIG programme is implemented through provinces and MISA. The support provided by DCOG is done with the provinces. Provinces such as Mpumalanga, KZN, Western Cape and Eastern Cape provide focused hands-on support to MIG receiving municipalities and have seen improvements in the implementation of the MIG programme.
			CoGTA was asked to appraise the Committee on its plans to ensure that the problem regarding non-spending of Indirect Grants is curbed.	DCOG is implementing two projects, through MISA, in uThukela District Municipality and Emfuleni Local Municipality that are funded through the conversion of MIG funds from Schedule 5B to Schedule 6B. Both projects were delayed by protracted processes of concluding cession agreements before MISA as the implementing agent could take over project execution. This delayed commencement of the projects.

3. EXECUTIVE AUTHORITY

During the year under review, the Accounting Officer of 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 2023/24 Performance Report.	03 May 2024.	N/A.	N/A.
First Quarter 2024/25 Performance Report.	31 July 2024.	N/A.	N/A.
Second Quarter 2024/25 Performance Report.	04 November 2024.	N/A.	N/A.
Annual Report 2023/24.	28 September 2024.	N/A.	N/A.
Revised Annual Performance Plan 2024/25.	22 November 2024.	N/A.	N/A.
Third Quarter 2024/25 Performance Report.	30 January 2025.	N/A.	N/A.

4. THE ACCOUNTING AUTHORITY / BOARD

Section 7A (4) (e) of the PSA provides for an option of establishing an Advisory Board for a Government component at the discretion of the relevant Executive Authority. In terms of section 7A(4)(e) of the Public Service Act, the Advisory Board for a Government component should be established without executive powers and functions. Since the establishment of MISA, the option of establishing an Advisory Board for MISA has not been exercised, with this option initiated during the 2023/24 FY, by the Executive Authority, but the process was subsequently halted before its conclusion.

5. RISK MANAGEMENT

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

MISA conducted and reviewed its strategic, operational and fraud risks, a process which assisted in identifying new emerging risks as required in terms of the Treasury Regulation

Section 3.2.1. Strategic, Operational and fraud risk assessments are conducted annually to align MISA's adopted strategy and its risk profile. The AC and RMC reviewed and monitored Risk Management progress reports on a quarterly basis, while the Internal Audit function provided assurance on the effectiveness of the Risk Management processes.

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

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

6. INTERNAL CONTROL UNIT

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

- Facilitated the coordination of audit processes.
- 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 Auditor-General of South Africa (AGSA).
- Presented Progress Reports on implementation of action plans to the Management Committee on a monthly basis and to the AC 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.
- Maintained an accurate register for MISA policies and reported quarterly to the Management and Audit Committees on the status of compliance and completeness of policies.
- Monitored, reviewed and reported on unauthorised, irregular, and fruitless and wasteful expenditure to the Accounting Officer and NT.
- Provided advice to other units within the entity regarding matters related to audit findings and internal controls.

- Facilitated the review of financial delegations in terms of PFMA and Treasury Regulations, for reviews, approval, and implementation.
- Coordinated the Audit Steering Committee (ASC) in ensuring and monitoring that all audit matters are resolved and attended to on time.
- Facilitated coordination of Broad-Based Black Economic Empowerment (B-BBEE) verification audit.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

7.1 Key Activities and Objectives of Internal Audit

Internal Audit derives its mandate from the PFMA. It is administratively accountable to the Accounting Officer and functionally reports to the AC. The Unit is required to prepare its plans in consultation with, and for approval by the AC. Internal Audit provides independent and objective assurance and consulting services designed to add value and improve the entity's operations and internal control system. It enables the entity to accomplish its objectives by bringing a systematic, disciplined approach to evaluating the effectiveness of Risk Management, control and Governance processes. The unit performed the following activities in line with its approved Internal Audit Charter (IAC) and Annual Audit Plan (AAP), with the assistance of an external Service Provider under the co-sourcing arrangement:

- Developed and implemented a rolling three-year Strategic and annual Coverage Audit plan based on the risk assessment conducted by the entity.
- Executed the audits as per the approved Internal Audit plan.
- Reported to the AC on progress made against the approved Audit plan to allow effective monitoring and intervention when necessary.
- Internal Audit has revised their Methodology in line with the new Global Internal Audit Standards (GIAS). The unit is currently preparing for the external quality assessment to be conducted before July 2025.

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 2025 as follows:

Auditable Area	Assessment by Internal Audit
1. Review of Annual Financial Statements (2023/24).	Adequate & Effective.
2. Review of Performance Information (Pre-determined Objectives) quarter 4 of 2023/24FY.	Need Improvements.
3. Review of Performance Information (Pre-determined Objectives) quarter 1.	Need Improvements.

Auditable Area	Assessment by Internal Audit
4. Review of Performance Information (Pre-determined Objectives) quarter 2.	Adequate & Effective.
5. Review of Performance Information (Pre-determined Objectives) quarter 3.	Adequate & Effective.
6. Verification of Post Audit Action Plan (PAAP) quarter 3&4 of 2023/24FY.	Need Improvements.
7. Verification of Post Audit Action Plan (PAAP) quarter 1.	Need improvements.
8. Verification of Post Audit Action Plan (PAAP) quarter 2.	Need Improvements.
9. Verification of Post Audit Action Plan (PAAP) quarter 3.	Need improvements.
10. Review of the Draft Annual Report (2023/24 FY).	Adequate & Effective.
11. Review on the subsistence and other allowances.	
12. Review of the revised 2025-26 APP (Advisory Service).	No opinion expressed.
13. Review on the Physical Security processes.	Need Improvement.
14. Review on Telephone Management processes.	Adequate & Effective.
15. Review of Human Resources Management (Leave Management) processes.	Adequate & Effective.
16. Review of the Travel and Accommodation processes.	Adequate & Effective.
17. Review on Corporate Governance processes.	Adequate & Effective.
18. Review of the Human Resources Management (Bursary and Training) processes.	Adequate & Effective.
19. Review of IT Cyber Security (Penetration testing).	Adequate & Effective.
20. Review of Asset Management processes.	Need Improvement.
21. Review of Financial Statements (Interim 2024/25).	Need improvement.
22. Advisory Service on the 2025/26 Annual Performance Plan (APP) and Strategic Plan (2025-2030).	No opinion was expressed.
23. Review of the Supply Chain Management (SCM) processes.	Adequate & 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 organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.
Need Improvement.	Controls in place provide some assurance that the organisation'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 organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

Overall Internal Control Assessment

Need Improvements

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

Governance -	Adequate & Effective
Risk Management -	Need Improvements
Internal Controls -	Need improvements

7.3 Key Activities and Objectives of the Audit Committee

The AC performs its activities in line with the approved Audit Committee Charter (ACC).

7.4 Audit Committee Meetings by Committee Members

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

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
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.	N/A. Member contract expires 30 November 2026.	6.
Ms P Mzizi	Bachelor of Accounting Science, BCompt (Hons), CA(SA).	External member.	Member appointed on 1 December 2023.	N/A. Member contract expires 30 November 2026.	6.
Mr S Badat	BCom, Chartered Accountant CA(SA).	External member.	Member appointed on 1 December 2023.	N/A. Member contract expires 30 November 2026.	6.
Mr Cedric Boltman	Master of Business Administration (MBA), Programme in Principles of Business & Management, Microsoft Certified Systems Engineer.	External member.	Member appointed on 1 December 2024.	New member.	2.
Dr Natalie Skeepers	PHD Engineering Management, Master of safety Health and Environment, Executive Development Programme (EDP).	External member.	Member appointed on 1 December 2024.	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 (SCM) and Financial Management, as well as other functional areas. An accredited Service Provider was appointed to audit and measure the extent of compliance with B-BBEE requirements in terms of section 13(G)(1) of the B-BBEE Act and regulations 12(2) and B-BBEE compliance report was submitted to the B-BBEE Commission.

9. FRAUD AND CORRUPTION

MISA has an approved Anti-Corruption and Whistleblowing Policy and Fraud Prevention Plan and has communicated the policy throughout the organisation to promote ethical behaviour, prevent unethical conduct, fraud, and corruption. The plan outlines its focus and commitment to the reduction and eradication of incidences of fraud and misconduct. It also confirms MISA's commitment to legal and regulatory compliance. The ethics and fraud risk assessment were conducted during the period under review, and quarterly monitoring conducted to ensure that fraud mitigation strategies are implemented. Fraud and Ethics awareness activities are undertaken on an ongoing basis, as well as awareness posters which are continuously circulated to employees through MISA Communication email. Fraud and Anti-Corruption awareness forms part of the orientation programme for new employees.

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

National Anti-Corruption Hotline: 0800 701 701

Website: www.publicservicecorruptionhotline.org.za

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

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

Free Facsimile: 0800 2014 965

SMS: 39772

fraud.report@misa.gov.za

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

10. MINIMISING CONFLICT OF INTEREST

The potential conflict of interest in SCM within MISA is minimised through the following measures:

- Members of the BC 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.
- BC meeting attendees are required to declare their interest prior to commencement of each BC meeting.
- All SCM officials are required to comply with the highest ethical standards as contained in the NT Code of Conduct for SCM Practitioners and sign Treasury's Code of Conduct for SCM 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 (Col) has been identified, the Accounting Officer or delegated officials take reasonable steps to prevent abuse of the SCM 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 SCM system is required to immediately report such identified breach or failure to the Accounting Officer or delegated official in writing. Such reporting can also be done anonymously through appropriate mechanisms, including the national anti-corruption hotline.

11. CODE OF CONDUCT

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

Furthermore, MISA has an Ethics Management Strategy and an Ethics Management Plan in place, which are used to foster the Ethics Management culture within the organisation to ensure that the entity responds in a timely, and appropriate manner to unethical conduct to protect its reputation.

As part of managing and monitoring Col, MISA facilitates and encourages all employees required to make financial disclosures to do so within the prescribed time. When the PSC submits its Analysis Report and it is found that there are non- disclosures or incomplete disclosures, appropriate consequence management is implemented. Furthermore, a gifts register, and other remunerative work registers are maintained.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Occupational Health and Safety (OHS) Policy for the entity, which was approved by the CEO in line with the OHS Act, 1993 (Act 85 of 1993) is currently under review. The Policy review seeks to align the policy with the latest prescripts towards ensuring a safe and healthy working environment for employees. Health and Safety Representatives, Fire Marshals and First Aiders who were appointed in the previous financial year were provided with Safety Management Training Course (SAMTRAC) training. MISA conducted one evacuation drill during the period under review, and the response or reaction time by employees has improved tremendously from the time when the alarm goes off to when all employees are lined up at designated areas.

The OHS Committee meets at least quarterly and periodically conducts site inspections to check whether all the requirements of OHS prescripts are met, and if there are any patent hazards. The OHS Committee regularly reports to the Chief Director: Corporate Management Services on the work of the Committee as well as progress reported by the employer on addressing any possible hazards that are identified through the site inspections. MISA is in the process of arranging an inspection by the Department of Employment and Labour (DEL) to ensure establish whether the entity is fully compliant with the applicable OHS prescripts.

13. COMPANY /BOARD SECRETARY

Notwithstanding that the Executive Authority for a Government component such as MISA has an option in terms of the Legislation to establish an Advisory Board, MISA has not had an Advisory Board since its establishment. Consequently, the entity did not have a Company Secretary since its inception.

14. SOCIAL RESPONSIBILITY

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

15. AUDIT COMMITTEE REPORT

We are pleased, as the AC, to present our report for the financial year ended 31 March 2025.

15.1 Responsibility of the Audit Committee

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

The AC consists of the external Members listed hereunder and is required to meet a minimum of at least two times per annum as per provisions of the PFMA.

In terms of the approved ToR (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 special meetings to review and discuss the Annual Financial Statements (AFS), the Annual Performance Report (APR), the AR of the Department and the AGSAs Audit and Management Reports. During these meetings, no challenges were registered with the AC by Management concerning the compilation of the financial and non-financial reporting.

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 AGSA during the financial year ended 31 March 2025, and in addition, considering information and explanations given by Management plus discussions held with the external auditor on the results of their audit, the AC concluded that the Department's system of internal financial controls (including ICT controls) needs improvement since material internal control deficiencies came to the Committee's attention.

The Committee has satisfied itself that the internal audit function was appropriately independent. The IAC 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 AC 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 AC will continue to monitor the resources and capabilities of the Internal Audit function as this is a key contributor to monitoring the adequacy and effectiveness of internal controls.

15.3 Risk Management

The AC reviewed the institution's policies on Risk Management and strategy (including IT Governance) and monitored the implementation of the Risk Management policy and strategy and concluded that the institution's Risk Management maturity level is satisfactorily.

15.4 In-Year Management and Quarterly Report

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

The AC 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 encounter a material compliance finding relating to material misstatements identified by the AGSA in the AFS, which were subsequently corrected by Management.

15.5 Evaluation of Financial Statements

Following the review by the AC of the AFS for the year ended 31 March 2025 before and after the audit, the AC is of the view that the financial statements were not fully prepared in accordance with the relevant prescribed provisions of the PFMA and GRAP standards. The AC advised Management to develop a Turnaround Plan with root cause analysis to address the control deficiencies and material misstatements contained in the AGSA report.

Following the review by the AC of the APR for the year ended 31 March 2025 before and after the audit, the AC is of the view that, in all respects, the Department complied with the relevant provisions of the PFMA and Framework for Managing Programme Performance Information (FMPPPI) and fairly presents the performance of the institution at that date. Furthermore, the AC advised Management to develop a Turnaround Plan to address the under achievements contained in the report.

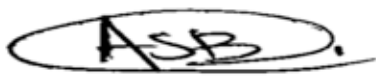
15.6 Auditor's Report

The AC concurs and accepts the conclusions of the Auditor-General (AG) on the AFS and APR, which is an unqualified audit opinion with findings. The AC is of the opinion that the audited AFS and APR be accepted and read together with the report of the AG.

15.7 Conclusion

The AC wishes to acknowledge the commitment and support of the Honourable Minister, Deputy Minister (DM), PC, DG, CEO and her staff, AGSA staff, and Internal Audit of the entity. The political and administrative leadership stability in the Department played a big role in improving the financial and non-financial performance of the entity.

Signed on behalf of the Audit Committee by:



Chairperson of the Audit Committee

Municipal Infrastructure Support Agent (MISA)

Date: 31 July 2025



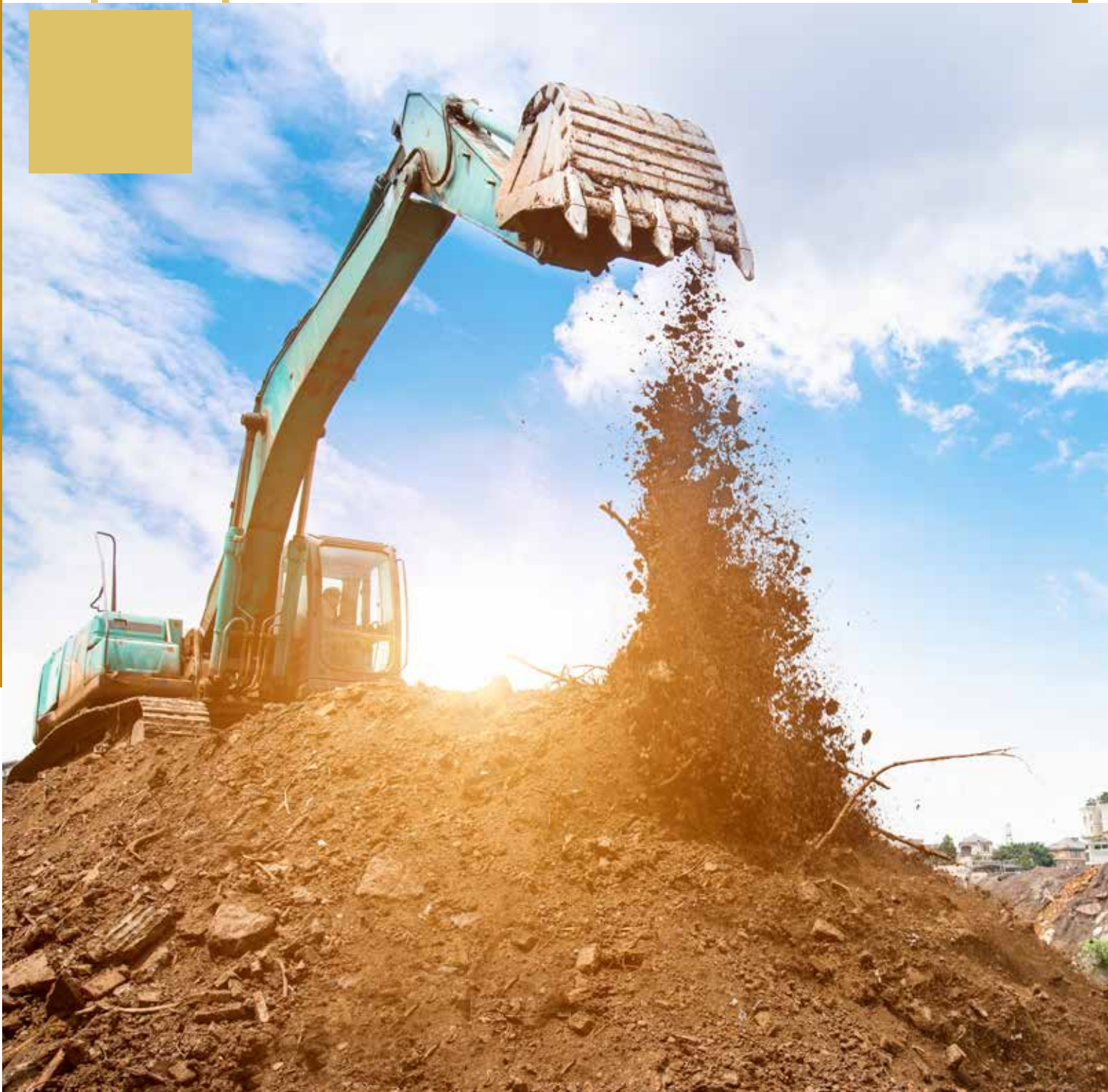
16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the Broad-Based Black Economic Empowerment (B-BBEE) requirements as set out in the B-BBEE Act 46 of 2013 and as determined by the Department of Trade and Industry (*the dti*).

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 -8) with regards to the following?		
Criteria	Response Yes/No	Discussion (Include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law?.	No.	N/A.
Developing and implementing a Preferential Procurement Policy?.	Yes.	An SCM Policy that encapsulates Preferential Procurement Regulations is in place and being implemented.
Determining qualification criteria for the sale of State-Owned Enterprises (SOEs)?	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 Public-Private Partnership (PPP).
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No.	SCM Policy incorporates B-BBEE aspects that seek to incentivise suppliers in compliance with the B-BBEE Act. Furthermore, MISA has obtained a Compliance Report that measured the extent of B-BBEE for the organisation.

PART D:

HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

The Human Resources (HR) priorities for the 2024/25FY included amongst others the filling of vacancies with the aim to achieve the targeted vacancy rate of 10% on the approved staff establishment. The concurrence by the Minister of Public Services and Administration (MPSA) to the revised organisational structure for the entity increased the number of posts to 244, of which 225 were funded in 2024/25FY. As of 31 March 2025, a total of 180 funded posts were filled which resulted in a 20% vacancy rate. A proportion of filled posts under the Technical Support Services Branch, are Professional (Engineers) which stood at 81% (69 of 85). For the Senior Management Services (SMS) category, 79% (34 of 43) of the approved posts were filled with the Employment Equity (EE) target for SMS women standing at 53% at the end of the year under review.

MISA continues with compliance reporting which includes amongst others, the Gender Equality & Job Access Strategic Frameworks plans and reports; Policy on the Prevention and Elimination of Harassment in the 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 (DOL); 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 PMDS applicable to the public service. The organisation achieved 100% compliance regarding the timelines for submission of the Performance Agreements for 2024/25FY and finalisation of 2023/24FY Annual Performance Assessments. MISA continued to participate in the Department of Cooperative Governance's (DCoG) contract for Employee Health and Wellness Programme (EHWP) which will end on 31 July 2025. Through this contract, the entity was able to promote employee health and wellness, create a conducive working environment for improved productivity whilst maintaining a work life balance and improving organisational effectiveness. The organisation successfully conducted a climate survey with 82% achievement recorded in the implementation of the action plan to address the recommendations emanating from the survey. HR policies in line with the applicable Legislative frameworks are in place and implemented accordingly.

Key achievements made by the entity during the year under review include, approval of MISA realigned organisational structure that was concurred to by the Minister of MPSA with a total of 244 posts and the placement of the advertisement which increased the total funded posts to 225. The equity target of 53% for women at SMS level was achieved, which is above the 50% mandatory target. The staff retention particularly for the technical professionals decreased to 89% (69 of 85) of posts filled as at the end of the year under review. The vacancy rate increased to 20% with 80% (180 of 225) posts filled by end of the period under review. The increase in vacancy rate was due to additional new funded posts advertised during the third quarter of the year under review. The achievement against the mandatory target for appointment of People with Disabilities (PwDs) remained at 1% and the entity is continuing with efforts towards the achievement of a 2% representation of PwDs. Efforts towards reducing the vacancy rate to a 10% threshold will continue through ensuring effective and efficient implementation of the recruitment processes.

The participation in the EHWP and the implementation of the recommendations from the climate survey conducted on 31 March 2024, resulted in 82% of milestones achieved. Improvement of leave management remains a key focus of the entity in the new financial year, with continuous engagements between the HRM & D unit and Management regarding effective measures to improve the management of leave within their respective programmes.

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	104 000	49 228	47%	81	608
Technical Support Services	216 469	138 837	64%	192	723
IDMS	22 009	11 627	53%	10	1 162
TOTAL	342 478	199 692	58%	283	706

*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	2 520	1,26	1	2 520
Senior Management	43 584	21,83	33	1 321
Professional qualified	106 961	53,56	95	1 126
Skilled	12 997	6,51	21	619
Semi-skilled	11 290	5,65	29	389
Unskilled	357	0,18	1	357
Temporary employees	21 983	11,01	103	213
TOTAL	199 692	100,00	283	706

Performance Rewards

Programme//activity/objective	Performance rewards	Personnel expenditure (R'000)	% Of performance rewards to total personnel cost (R'000)
Top Management	-	2 520	-
Senior Management	-	43 584	-
Professional qualified	-	106 961	-

Programme//activity/objective	Performance rewards	Personnel expenditure (R'000)	% Of performance rewards to total personnel cost (R'000)
Skilled	-	12 997	-
Semi-skilled	-	11 290	-
Unskilled	-	357	-
Temporary employees	-	21 983	-
TOTAL	-	199 692	-

No performance rewards were awarded during the year under review in light of Circular 1 of 2019 issued by DPSA on notice of reduction in the percentage allocation of remunerative budgets for payment of performance bonuses by Departments effective 01 April 2019. For the performance cycle 2024/25, zero budget was allocated for performance bonuses at all levels.

Training Costs

Programme/activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Administration	49 228	382	0,78	48	8
Technical Support Services	138 837	975	0,70	83	12
IDMS	11 627	56	0,48	5	11
TOTAL	199 692	1 413	0,71	136	10

Employment and vacancies

Programme/activity/objective	2023/2024 No. of employees	2024/2025 Approved posts	2024/2025 Funded posts	2024/2025 No. of employees	2024/2025 Vacancies	% Of vacancies
Office of the CEO	17	27	24	19	5	21%
Technical Support Services	111	137	131	107	24	18%
IDMS	12	20	15	10	5	33%
Corporate Management Services	18	30	29	18	11	38%
Financial Management Services	23	30	26	26	0	0%
TOTAL	181	244	225	180	45	20%

Programme/activity/objective	2023/2024 No. of employees	2024/2025 Approved posts	2024/2025 Funded posts	2024/2025 No. of employees	2024/2025 Vacancies	% Of vacancies
Top Management	2	3	3	1	2	67%
Senior Management	29	40	37	33	7	19%
Professional qualified	101	126	121	95	31	26%
Skilled	21	24	27	21	3	11%

Programme/activity/ objective	2023/2024 No. of employees	2024/2025 Approved posts	2024/2025 Funded posts	2024/2025 No. of employees	2024/2025 Vacancies	% Of vacancies
Semi-skilled	27	50	36	29	21	58%
Unskilled	1	1	1	1	0	0%
TOTAL	181	244	225	180	64	28%

MISA's approved organisational structure has a total of 244 posts, of which 225 posts were funded during the financial year under review. As of 31 March 2025, a total of 180 posts were filled on the entity resulting in a vacancy rate of 20%. MISA achieved 53% against the mandatory EE target pertaining to the representation of women at SMS level. The retention of technical support staff (professional engineers and planners) decreased slightly by percentage point to 89% with 69 of the 85 posts filled. The average period for filling posts during the period under review remained at 8 months because of continuation of the implementation of the DPSA circular 20 of 2024, and the 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.

Employment changes

Salary Band	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	2	1	0	3
Senior Management	29	6	1	34
Professional qualified	101	11	21	91
Skilled	21	1	1	21
Semi-skilled	27	3	0	30
Unskilled	1	0	0	1
Total	181	22	23	180

Reasons for staff leaving.

Reason	Number	% Of total no. of staff leaving
Death	0	0%
Resignation	22	96%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	1	4%
Total	23	100%

The staff turnover as reported above recorded 96% technical employees (professional engineers) resigning from employment in pursuit of better opportunities. Three transfers in and three transfers out were recorded. No dismissal and 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	0
Total	0

There were no labour relations cases recorded 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	0	0	0	0	0	0	0	0
Senior Management	13	15	1	2	0	0	0	0
Professional qualified	44	45	2	3	4	4	5	5
Skilled	11	11	0	0	0	0	0	0
Semi-skilled	7	9	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
TOTAL	76	81	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	18	1	2	0	0	0	0
Professional qualified	36	45	2	3	0	1	1	2
Skilled	10	14	0	0	0	0	0	0
Semi-skilled	22	25	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	84	104	3	5	0	1	1	2

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	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	1	2	3

MISA remains committed to the achievement of the mandatory EE targets with a positive trajectory advanced through the recruitment processes for the organisation. The overall EE ratio for employees in terms of male: female for permanent employees stood at 49:51, and for contract employees at 50:50, with two employees with disabilities appointed by the end of year under review. MISA achieved the gender equity target of at least 53% for women representation at SMS level and 1% was achieved against the mandatory target of 2% in respect to employment of PwDs as prescribed in the EE Act. Two females with disabilities remained employed as at the end of the financial year under review. Through the recruitment process undertaken during the year under review, a vacancy rate was reduced to 20% with 180 posts filled against a total of 225 funded posts as at the end of the reporting period.

PART E:

PFMA COMPLIANCE REPORT



1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 Irregular expenditure

a) Reconciliation of Irregular expenditure

Description	2024/2025	2023/2024
	R'000	R'000
Opening balance	R0,00	R0,00
Add: Irregular expenditure confirmed	R0,00	R0,00
Less: Irregular expenditure condoned	R0,00	R0,00
Less: Irregular expenditure not condoned and removed	R0,00	R0,00
Less: Irregular expenditure recoverable	R0,00	R0,00
Less: Irregular expenditure not recovered and written off	R0,00	R0,00
Closing balance	R0,00	R0,00

Reconciling notes

Description	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure that was under assessment in 2023/24	R0,00	R0,00
Irregular expenditure that relates to 2023/24 and identified in 2024/25	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	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure under assessment	R3 921 851,45	R0,00
Irregular expenditure under determination	R0,00	R0,00
Irregular expenditure under investigation	R0,00	R0,00
Total	R3 921 851,45	R0,00

c) Details of Irregular expenditure condoned.

Description	2024/2025	2023/2024
	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	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure NOT condoned and removed	R0,00	R0,00
Total	R0,00	R0,00

Include discussion here where deemed relevant

e) Details of Irregular expenditure recoverable.

Description	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure recovered	R0,00	R0,00
Total	R0,00	R0,00

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

Description	2024/2025	2023/2024
	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 cases where an institution is involved in an inter- institutional arrangement (where such institution is responsible for the non-compliance)

Description	2024/2025	2023/2024
	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

Disciplinary steps taken
NONE

1.2 Fruitless and wasteful expenditure

- a) Reconciliation of Fruitless and wasteful expenditure

Description	2024/2025	2023/2024
	R'000	R'000
Opening balance	R0,00	R0,00
Add: Fruitless and wasteful expenditure confirmed	R0,00	R0,00
Less: Fruitless and wasteful expenditure written off	R0,00	R0,00
Less: Fruitless and wasteful expenditure recoverable	R0,00	R0,00
Closing balance	R0,00	R0,00

Reconciling notes

Description	2024/2025	2023/2024
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2023/24	R0,00	R0,00
Fruitless and wasteful expenditure that relates to 2023/24 and identified in 2024/25	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	2024/2025	2023/2024
	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	2024/2025	2023/2024
	R'000	R'000
Fruitless and wasteful expenditure recovered	R0,00	R0,00
Total	R0,00	R0,00

d) Details of Fruitless and wasteful expenditure not recoverable and written off.

Description	2024/2025	2023/2024
	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

Disciplinary steps taken
NONEone

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

a) Details of Material losses through criminal conduct

Material losses through criminal conduct	2024/2025	2023/2024
	R'000	R'000
Theft		
Other material losses		
Less: Recoverable		
Less: Not recoverable and written off		
Total		

b) Details of other Material losses

Nature of other material losses	2024/2025	2023/2024
	R'000	R'000
(Group major categories, but list material items)	R0,00	R0,00
Total	R0,00	R0,00

c) Other Material losses recoverable

Nature of losses	2024/2025	2023/2024
	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.

Nature of losses	2024/2025	2023/2024
	R'000	R'000
(Group major categories, but list material items)	R0,00	R0,00
Total	R0,00	R0,00

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	725	192,280,512
Invoices paid within 30 days or agreed period	725	192,280,512
Invoices paid after 30 days or agreed period	0	R0,00
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	R0,00
Invoices older than 30 days or agreed period (unpaid and in dispute)	09	535,430.00

The nine (9) Invoices were rejected due to identified irregularities with SCM processes that resulted in the appointment of the affected Service Provider. The investigation is still ongoing to determine the amount before a final decision is made.

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 renew Caseware Software License for period June 2023 to May 2025 for Municipal Infrastructure Support Agent (MISA).	Adapt IT (PTY) Limited	Sole Service Provider	SCMPO684	R145,056.99
Deviation for the attendance of the 13th Annual Govlaw conference.	Intelligence Transfer Center	Sole Service Provider	SCMPO697	R22,997.70
Deviation for Membership renewal.	The Internal Institute of Internal Auditors South Africa	Sole Service Provider	SCMPO698	R13,673.52
Deviation for the attendance of the Planning Africa Conference 2024.	South African Planning Institute	Sole Service Provider	SCMPO713	R72,047.50
Deviation for the attendance of the Planning Africa Conference 2024.	South African Planning Institute	Sole Service Provider	SCMPO715	R10,292.50
Deviation for the attendance for the attendance of Africa Energy Indaba	Africa Energy Indaba	Sole Service Provider	SCMPO717	R28,750.00
Annual Candidacy fees for young graduates.	SACPLAN.	Sole Service Provider	SCMPO721	R18,985.25
Deviation for payment for MISA Engineering Young Graduates Candidacy Fees to the Engineering Council of South Africa (ECSA).	Engineering Council of South Africa.	Sole Service Provider	SCMPO722	R159,528.06
Deviation for the attendance of the 27th Annual National Conference.	The Internal Institute of Internal Auditors South Africa	Sole Service Provider	SCMPO724	R44,850.00
Deviation for the attendance of the MILLA SA 14th Annual Public Sector Property and Asset Management Conference.	MILLA SA	Sole Service Provider	SCMPO737	R25,277.00
Deviation for the implementation of electronic pay slips service for all MISA employees.	SITA SOC LTD	Sole Service Provider	SCMPO739	R2,574.81
Deviation for the purchase of an SSL Certificate to secure the newly developed Eastern Seaboard Website from SITA.	SITA SOC LTD	Sole Service Provider	SCMPO742	R6,942.41

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Deviation for training of 12 Electrical Engineers.	Institute Of Energy Professionals Africa	Sole Service Provider	SCMPO751	R267,375.00
Approval of deviation for the appointment of a Service Provider (Institute of Municipal Engineers of South Africa) for the attendance of the 87th IMESA Conference.	Institute of Municipal Engineers of South Africa.	Sole Service Provider	SCMPO773	R140,800.00
Approval of deviation for 10 females to attend 8th annual Leadership development for women in Government.	Robert Edwin Conferences	Sole Service Provider	SCMPO792	R110,390.80
Deviation for the attendance of the 15th Annual Women in Engineering Africa Network conference.	Intelligence Transfer Center	Sole Service Provider	SCMPO794	R13,798.85
Deviation for the attendance of the 12th Annual Edition: National Public Sector Clean Audit Turnaround Indaba 2024.	Audit Roundtable (Pty) Ltd	Sole Service Provider	SCMPO802	R68,993.10
Deviation to pay for additional venue booking fee at CSIR for the hosting of the long service awards for employee's Cogta and MISA.	CSIR	Sole Service Provider	SCMPO805	R23,908.50
Deviation for appointment of a service provider (Marble Business Technology) for the Spatial Planning, Governance & Industrialisation Symposium.	Marble Business Technology	Sole Service Provider	SCMPO822	R32,970.00
Deviation for the renewal of the MULTI-DOMAIN SSL certificate licenses for MISA's websites i.e. www.misa.gov.za and www.mipmis.gov.za for 24 months.	SITA SOC LTD	Sole Service Provider	SCMPO808	R7,609.92
Deviation for appointment of a Service Provider to facilitate the implementation of a compulsory induction programme.	The National School of Government	Sole Service Provider	SCMPO827	R3,258.00
Deviation for appointment of a Service Provider to facilitate the implementation of a compulsory induction programme.	The National School of Government	Sole Service Provider	SCMPO828	R5,480.00
Deviation for appointment of a Service Provider for the Spatial Planning, Governance & Industrialisation Symposium.	Marble Business Technology	Sole Service Provider	SCMPO834	10,990.00

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Deviation for appointment of a Service Provider for the CIA learning system instructor-led course-part 2.	Leadership Academy for Guardians of Governance	Sole Service Provider	SCMPO843	R10,807.70
Deviation to participate in the annual Devac Infrastructure Summit.	Sealzed Group	Sole Service Provider	SCMPO840	R51,175.00
Total				R1,298,532.61

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 to subscribe for additional Microsoft Software Licenses.	Microsoft Ireland Operations Limited.	Variation	SCMPO742	R8,691,359.58	NA	R787,179.60
Variation Order for the pre-employment screening by extending the scope of work for Thusa Batho Labour Solutions.	Thusa Batho Labour Solutions.	Variation	SCMPO800	R127,070.00	NA	R14,127.75
Extension of contract with costs for Zest for Life Pty (Ltd) to supply and install alarm system for MISA provincial office situated in the Free State Province for a period of four months.	Zest for Life	Expansion	SCMPO809	R48,982.25	NA	R16,327.40
Total						R817,634.75

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 107 to 148, which comprise the statement of financial position as at 31 March 2025, statement of financial performance, statement of changes in net assets, the 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 2025 and its financial performance and cash flows for the year then ended in accordance with 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 104, forms part of my 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 2025 for auditing. I selected programmes that measure 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	[41 – 52]	The purpose of the programme 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; and • 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	Page numbers	Purpose
Programme 3: Infrastructure Delivery Management System	[56 – 60]	The purpose of the programme is to support the efficient delivery of municipal 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 / 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 matter below.

Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements / measures taken to improve performance.
18. The tables that follow provide information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets / measures taken to improve performance are included in the annual performance report on pages 28 to 62.

Programme 2: Technical Support Services

Targets achieved: 82%		
Budget spent: 89%		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of Water Services Authority (WSAs) provided with Technical Support for implementation of the corrective action plans for Wastewater Treatment Works (WWTWs)	5 Water Services Authority (WSAs) provided with technical support for implementation of the corrective action plans for Wastewater Treatment Works (WWTWs)	Not Achieved Some municipalities supported were unable to fully implement their corrective action plans due to inadequate budgets to fund both the technical work and training of process controllers to performance the work towards improving the WWTWs
Number of Water Services Authority (WSAs) provided with technical support for implementation of the corrective action plans for Water Treatment Works (WTWs)	5 Water Services Authority	Not Achieved Some municipalities supported were unable to fully implement their corrective action plans due to inadequate budgets to fund both the technical work and training of process controllers to performing the work towards improving the WTWs

Programme 3: Infrastructure Delivery Management Services

Targets achieved: 80%		
Budget spent: 30%		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of DDM District spaces with technical experts deployed through strategic partnerships	Deployment of technical experts in 2 DDM District spaces through strategic partnerships	Not Achieved Due to capacity constraints within the programme responsible for this indicator, MISA solicited support from the National Business Initiative through the DCOG-NBI partnership agreement

Report on compliance with legislation

19. 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.
20. 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.
21. 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.
22. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements and Annual Reports

23. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 40(1)(a) of the PFMA.
24. Material misstatements of current assets, current liabilities and disclosure of contingent liabilities identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.

Other information in the annual report

25. The accounting officer is responsible for the other information included in the annual report. The other information 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.
26. My opinion on the financial statements and my reports on the audit of the annual performance report and 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.
27. 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.

28. 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

29. 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.
30. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on compliance with legislation included in this report.
31. Proper reviews and due care were lacking regarding compliance with the applicable accounting framework, when the financial statements were prepared and submitted for audit, to ensure that the financial statements were complete and accurate.

AUDITOR GENERAL

Pretoria

31 July 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Section, regulation or paragraph
Public Finance Management Act 1 of 1999	Section 38(1)(b); 38(1)(c)(i); 38(1)(c)(ii); 38(1)(d); 38(1)(f); 38(1)(h)(iii); 40(1)(a); 40(1)(b); 40(1)(c)(i); 45(b)
Treasury Regulations, 2005	Regulation 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a); 5.2.3(d); 5.3.1; 7.2.1; 8.1.1; 8.2.1; 8.2.3; 8.4.1; 9.1.1; 9.1.4; 10.1.1(a); 10.1.2; 11.4.1; 11.4.2; 11.5.1; 12.5.1; 15.10.1.2(c); 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a); 16A6.2(b); 16A6.3(a); 16A6.3(b); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A7.1; 16A7.3; 16A7.6; 16A8.3; 16A8.4; 16A9.1(b)(ii); 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2; 16A9.2(a)(ii); 17.1.1; 18.2; 19.8.4
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 1 of 2021/22	Paragraph 4.1
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4(a); 4.17; 7.2; 7.6;
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
National Treasury Practice Note 5 of 2009/10	Paragraph 3.3
National Treasury Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Public Service Regulations, 2016	Regulation 18 (1); 18 (2); 25(1)(e)(i); 25(1)(e)(iii)



MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

Annual Financial Statements for the year ended 31 March 2025

General Information

Nature of business and principal activities	The Municipal Infrastructure Support Agent (MISA) is a government component within the CoGTA Portfolio with the mandate of providing technical capacity support to municipalities towards effective and efficient delivery and management of municipal infrastructure for sustainable provision of basic services.
Registered office	Letaba House Riverside Office Park 1303 Heuwel Road Centurion 0046
Postal address	Private Bag X105 Centurion 0046
Controlling entity	The Municipal Infrastructure Support Agent (MISA) is a Government Component within the Ministry for Cooperative Governance and Traditional Affairs, 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 of South Africa
Auditors	Auditor-General South Africa
Secretary	None

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Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors were 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 General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The Accounting Officer acknowledges that 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 the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

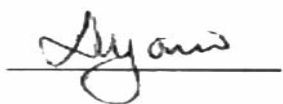
The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The Accounting Officer has reviewed the entity's cash flow forecast for the year ended 31 March 2026 and, in the 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 page 113 to 148, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 July 2025.



Ms E.M Kgomo

Accounting Officer (MISA)

Date: 31 July 2025

The Accounting Officer submits her report for the year ended 31 March 2025.

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

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

Public Finance Management Act, 1999 (Act No. 29 of 1999, as amended) and Treasury Regulations, and

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

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

2. Review of activities

Main business and operations

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

Net Surplus for the period under review

Net surplus for the period under review is R29 621 150 (2024: surplus R97 285 437 Restated).

3. Going concern

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

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

Municipal Infrastructure Support Agent (MISA)

Annual Financial Statements for the year ended 31 March 2025

3. Going concern (continued)

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 annual financial statements are authorised for issue that would require adjustment or disclosure in the annual financial statements.

4. Accounting policies

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

5. Accounting Officer

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

Name		Nationality
Ms E.M Kgomo		South African
		Appointed Monday, 01 April 2024

Statement of Financial Position as at 31 March 2025

	Note(s)	2025	2024
		R	Restated* R
Assets			
Current Assets			
Receivables from exchange transactions	30	692 124	-
Prepayments	3	3 141 460	2 842 353
Receivables from non-exchange transactions	4	14 344 266	2 333 478
Cash and cash equivalents	5	242 279 294	217 674 907
		260 457 144	222 850 738
Non-Current Assets			
Property, plant and equipment	6	13 675 345	12 955 168
Intangible assets	7	779 499	3 896 565
Prepayments	3	-	78 291
		14 454 844	16 930 024
Total Assets		274 911 988	239 780 762
Liabilities			
Current Liabilities			
Operating lease liability	8	63 012	26 040
Payables from exchange transactions	9	32 156 954	27 914 993
Provisions	10	14 657 824	13 502 687
		46 877 790	41 443 720
Total Liabilities		46 877 790	41 443 720
Net Assets		228 034 198	198 337 042
Accumulated surplus		227 958 192	198 337 042

Statement of Financial Performance

	Note(s)	2025	2024
		R	Restated* R
Revenue			
Revenue from exchange transactions			
Other income - 6B Management Fees	11	3 446 485	-
Interest received	11	16 141 229	11 926 845
Total revenue from exchange transactions		19 587 714	11 926 845
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	12	406 679 000	401 454 000
LGSETA Funding	12	93 177	1 094 863
Total revenue from non-exchange transactions		406 772 177	402 548 863
Total revenue		426 359 891	414 475 708
Expenditure			
Employee related costs	13	(199 691 748)	(196 297 166)
Depreciation and amortisation	14	(8 067 875)	(7 005 790)
Contracted Services	15	(54 733 740)	(51 809 485)
General Expenses	16	(80 475 685)	(62 077 830)
Funds Surrendered to DCoG	17	(53 769 693)	-
Total expenditure		(396 738 741)	(317 190 271)
Surplus for the year		29 621 150	97 285 437

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
	R	R
Opening balance as previously reported	100 728 155	100 728 155
Adjustments		
Prior year adjustments	323 450	323 450
Balance at 01 April 2023 as restated*	101 051 605	101 051 605
Changes in net assets Surplus for the year	97 285 437	97 285 437
Total changes	97 285 437	97 285 437
Restated* Balance at 01 April 2024	198 337 042	198 337 042
Changes in net assets Surplus for the year	29 621 150	29 621 150
Total changes	29 621 150	29 621 150
Balance at 31 March 2025	227 958 192	227 958 192

Cash Flow Statement

	Note(s)	2025	2024
		R	Restated* R
Cash flows from operating activities			
Receipts			
Grants		406 679 000	401 454 000
Interest income		16 141 229	10 694 702
Other income - LGSETA		93 177	1 094 863
Other income - 6B Management Fee		2 754 361	-
		425 667 767	413 243 565
Payments			
Employee costs		(198 226 200)	(199 710 114)
Goods and Services		(143 352 099)	(173 288 171)
Funds Surrendered to DCoG		(53 769 693)	-
		(395 347 992)	(372 998 285)
Net cash flows from operating activities	18	30 319 775	40 245 280
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(5 715 388)	(1 952 315)
Proceeds from sale of scrapped asset	6	-	13 643
Net cash flows from investing activities		(5 715 388)	(1 938 672)
Net increase/(decrease) in cash and cash equivalents		24 604 387	38 306 608
Cash and cash equivalents at the beginning of the year		217 674 907	179 368 299
Cash and cash equivalents at the end of the year	5	242 279 294	217 674 907

Statement of Comparison of Budget and Actual Amounts

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income - 6B Management Fees	-	-	-	3 446 485	3 446 485	
Interest received - Call Account	-	-	-	16 141 229	16 141 229	Note 27
Total revenue from exchange transactions	-	-	-	19 587 714	19 587 714	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	406 679 000	-	406 679 000	406 679 000	-	
LGSETA Funding	-	-	-	93 177	93 177	
Total revenue from non- exchange transactions	406 679 000	-	406 679 000	406 772 177	93 177	
Total revenue	406 679 000	-	406 679 000	426 359 891	19 680 891	

Expenditure

Employee related costs	(234 000 000)	-	(234 000 000)	(199 691 748)	34 308 252	Note 27
Depreciation and amortisation	(8 047 000)	-	(8 047 000)	(8 067 875)	(20 875)	Note 27
Contracted Services	(84 364 000)	(124 794 972)	(209 158 972)	(54 733 740)	154 425 232	Note 27
General Expenses	(80 268 000)	-	(80 268 000)	(80 475 685)	(207 685)	Note 27
Funds Surrendered to DCoG	-	-	-	(53 769 693)	(53 769 693)	Note 27
Total expenditure	(406 679 000)	(124 794 972)	(531 473 972)	(396 738 741)	134 735 231	
Actual Amounts on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(124 794 972)	(124 794 972)	29 621 150	154 416 122	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

The preparation of annual financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the 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 foreseeable 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 considers the time period similar assets are used for entities of a similar nature.

Intangible assets

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

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 of deficit when the item is derecognised.

The useful lives of items of property, plant and equipment has 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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets acquired are measured on initial recognition at cost.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

Item	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.

Accounting Policies

1.6 Leases (continued)

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

Operating leases - lessee

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

1.7 Impairment of non-cash-generating assets

Cash-generating assets are 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.

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 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 tests 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.

Accounting Policies

1.8 Employee benefits

Identification

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

Recognition and measurement

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

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.

Accounting Policies

1.9 Provisions (continued)

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

1.10 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

Accounting Policies

1.11 Revenue from exchange transactions

- 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.

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

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

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by service 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.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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

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

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

MISA receives annual transfers from DCoG as per the allocation from National Treasury on a quarterly basis. Additionally, MISA has a collaboration with LGSETA in relation to its municipal capacity building programmes. The MISA was further appointed by DCoG to be its implementing Agent for the implementation of MIG 6B conversion projects.

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.

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.

Accounting Policies

1.13 Irregular and Fruitless and Wasteful Expenditure (continued)

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

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

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

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

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

Irregular and Fruitless and Wasteful Expenditure is disclosed in note 25 in the annual financial statement.

1.14 Prepayment

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

1.15 Related parties

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

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

Accounting Policies

1.15 Related parties (continued)

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

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

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

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

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

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

1.16 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.

Accounting Policies

1.16 Financial instruments (continued)

Receivables from non-exchange transactions

Receivable from non-exchange transactions are initially recognised at fair value, plus or minus transactions costs, and subsequently measured at amortised cost using the effective interest rate method.

Receivables from exchange transactions

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

Payables from exchange transactions

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

Cash and Cash Equivalents

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

Classification

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

Class	Category
Receivables	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables	Financial liability measured at amortised cost

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

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.

Accounting Policies

1.16 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Impairment and uncollectibility of financial assets

The entity assesses 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 OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

Financial liabilities

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

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

Accounting Policies

1.17 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary 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 assets exceeds its recoverable amount, it is impaired.

Useful life is either:

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

Identification

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

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

Value in use

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from 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 flows 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.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Recognition and measurement

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.

An 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 it 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.

1.18 Construction contracts

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

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

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

Expenditure related to the above is included in contracted services.

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Accounting Policies

1.19 Accounting by principals and agents (continued)

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 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.

Accounting Policies

	2025	2024
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 109 Accounting by Principal and Agents	01 April 2024	The revised GRAP 109 now focuses on the substantive rights and obligations arising from binding arrangements.
		The revised GRAP 109 now provides a clearer guidance on assessing whether an arrangements qualifies as principal-agent relationship, emphasising the importance of evaluating the substance over the form of arrangements.
		The revised GRAP 109 now clarifies that the presence or absence of a consideration is no longer a determining factor in identifying a principal agent arrangements.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Prepayments

The prepayment refers to licence fees paid in advance.

Notes to the Annual Financial Statements

	2025	2024
	R	R

3. Prepayments (continued)

Prepayments (Current Assets)	3 141 460	2 842 353
Prepayments (Non-Current Assets)	-	78 291
	3 141 460	2 920 644

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

4. Receivables from non-exchange transactions

Other Receivables	14 564 493	2 570 255
Provision for doubtful debts	(220 227)	(236 777)
	14 344 266	2 333 478

The increase in Debtors is primarily due to invoices related to DCoG MIG 6B projects.

Reconcillation of provision for doubtful debts

Reconcillation of provision for doubtful debts	(236 776)	(225 522)
Opening balance		
Decrease in provision	16 549	(11 255)
Closing balance	(220 227)	(236 777)

5. Cash and cash equivalents

Provision for doubtful debts	(220 227)	(236 777)
Opening balance	(236 776)	(225 522)

Cash and cash equivalents consist of:

Petty Cash Account	31 331	27 346
Bank balances - Current and Salary Account	16 482 139	61 967 835
Short-term deposits - Call Account	225 765 824	155 679 726
	242 279 294	217 674 907

Cash and cash equivalents increased compared to prior year due to delays in Project implementation which resulted in less payments of Goods and Services in the current year. Included in the R242 million is the ring-fenced funding for the Eastern Seaboard programme amounting to R118 million.

Notes to the Annual Financial Statements

Figures in Rand					
6. Property, plant and equipment					
	2025			2024	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment
Furniture and fixtures	7 457 154	(5 443 425)	2 013 729	6 758 641	(5 092 376)
Motor vehicles	624 322	(279 622)	344 700	624 322	(279 622)
Office equipment	4 346 413	(2 412 372)	1 934 041	4 142 831	(2 120 053)
IT equipment	30 605 728	(21 222 853)	9 382 875	25 357 201	(16 435 776)
Total	43 033 617	(29 358 272)	13 675 345	36 882 995	(23 927 827)
					12 955 168

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Mar 2025

	Opening balance	Additions	Disposals/ Losses	Depreciation	Total
Furniture and fixtures	1 666 265	699 337	-	(351 873)	2 013 729
Motor vehicles	344 700	-	-	-	344 700
Office equipment	2 022 778	218 080	-	(306 817)	1 934 041
IT equipment	8 921 425	4 797 971	(44 402)	(4 292 119)	9 382 875
	12 955 168	5 715 388	(44 402)	(4 950 809)	13 675 345

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	354 547	-	-	(9 847)	344 700
Office equipment	1 454 957	777 507	-	(209 686)	2 022 778
IT equipment	10 625 365	986 027	(32 134)	(2 657 833)	8 921 425
	14 132 957	1 952 314	(32 134)	(3 097 969)	12 955 168

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand					
7. Intangible assets					
	2025			2024	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	815 002	(695 065)	119 937	815 003	(676 227)
MIPMIS - (Internally generated)	33 946 285	(33 286 723)	659 562	33 946 284	(30 188 495)
Total	34 761 287	(33 981 788)	779 499	34 761 287	(30 864 722)
Reconciliation of intangible assets - Mar 2025					
	Opening balance		Amortisation and Impairment		Total
Computer software, other	138 776		(18 839)		119 937
MIPMIS - (Internally generated)	3 757 789		(3 098 227)		659 562
	3 896 565		(3 117 066)		779 499
Reconciliation of intangible assets - Mar 2024					
	Opening balance		Amortisation		Total
Computer software, other	166 470		(27 694)		138 776
MIPMIS - (Internally generated)	7 637 916		(3 880 127)		3 757 789
	7 804 386		(3 907 821)		3 896 565

Pledged as security

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

Notes to the Annual Financial Statements

	2025	2024
	R	R

8. Operating Lease Liability

Operating lease accrual	63 012	26 040
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Minimum Lease payment due to the following periods

No later than one year	7 503 605	7 090 563
Later than one year but not later than five years	1 009 806	1 856 079
	8 513 411	8 946 642

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 was for a period of 6 months which commenced on 1 June 2024 and ends on 30 November 2024. The lease term was further extended for a period of 12 months which commenced on 1 December 2024 and ends on 30 November 2025. 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.

Currently MISA has 36 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	27 884 835	21 345 781
Service bonus liability	4 273 319	4 258 506
Other payables	74 806	2 310 706
	32 232 960	27 914 993

10. Provisions

Reconciliation of provisions - Mar 2025

	Opening Balance	Movement	Total
Leave provision: Employees	11 513 562	1 155 136	12 668 698
Service Provider Claim	89 125	-	89 125
Technical Consultant Claim	1 900 000	-	1 900 000
	13 502 687	1 155 136	14 657 823

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

Notes to the Annual Financial Statements

	2025	2024
	R	R

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 2025 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 calendar year (leave cycle) will be forfeited by 30 June 2025. 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 in 2023, However, the service provider has claimed for the work done prior to the cancellation of the contract for which no payment was made pending verification of work done. The amount claimed by the service provider is R89,125.

Technical Consultant Claim relates to the unfair dismissal claim lodged by a consultant. The dispute arose in 2018 when 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.

11. Revenue from exchange transactions

Other income - Management Fees	3 446 485	-
Interest received - Call Account	16 141 229	11 926 845
	19 587 714	11 926 845

12. Revenue from non-exchanged transactions

Operating grants

Government grant	406 679 000	401 454 000
Other Income - LGSETA	93 177	1 094 863
	406 772 177	402 548 863

13. Employee related costs

Basic Salary, Non pensionable allowance, Acting allowance and other allowances not listed below	169 269 635	167 043 901
Service Bonus (13th cheque)	9 127 420	8 734 086
Medical aid	2 563 976	2 277 570
Pension	15 844 687	15 503 054
Housing allowances	2 886 030	2 738 555
	199 691 748	196 297 166

Notes to the Annual Financial Statements

Figures in Rand

Remuneration for Key Management Personnel - 31 March 2025	Basic Salary	Other Short-term employee benefits	Post-employment such as Pension and other retirement benefits	Fees for services as a member of management	Total Remuneration
Chief Executive Officer - Kgomo EM	1 582 104	462 595	205 658	225 998	2 476 355
Deputy Director General - Zimbwa AG	102 595	20 887	13 208	-	136 690
Chief Financial Officer - Nombembe-Ofosu F	1 115 759	333 096	145 032	-	1 593 887
Chief Director - Ngobeni TS (Acting Deputy Director General)	1 234 522	343 164	149 416	-	1 727 102
Chief Director - Mamuremi F	1 201 979	358 839	156 241	-	1 717 059
Chief Director - Mathada V	985 285	528 702	128 071	-	1 642 058
Chief Director - Mathabathe R	1 051 258	313 838	136 647	-	1 501 743
Chief Director - Nkosi HJ (Acting Deputy Director General)	1 114 726	476 375	115 395	-	1 706 496
Chief Director - Ndalasi L	1 201 979	358 839	156 241	-	1 717 059
Chief Director - Mtshali BS	1 005 341	300 129	130 678	-	1 436 148
Chief Director - Layte MA	1 005 341	300 129	130 678	-	1 436 148
Subtotal	11 600 889	3 796 593	1 467 265	225 998	17 090 745

Remuneration for Key Management Personnel - 31 March 2024	Basic Salary	Other Short-term employee benefits	Post-employment such as Pension and other retirement benefits	Fees for services as a member of management	Total Remuneration
Former Chief Executive Officer - Vimba GN	185 210	79 999	-	-	265 209
Chief Financial Officer - Nombembe-Ofosu F	1 048 606	313 048	136 303	-	1 497 957
Acting Executive Officer - Kgomo EM	1 526 814	385 420	167 814	161 890	2 241 938
Deputy Director General - Zimbwa AG	1 164 627	347 688	151 386	-	1 663 701
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	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
Subtotal	11 978 576	3 892 772	1 502 309	161 890	17 535 547

Notes to the Annual Financial Statements

	2025	2024
	R	R
14. Depreciation and amortisation		
Property, plant and equipment	4 950 809	3 097 969
Intangible assets	3 117 066	3 907 821
	8 067 875	7 005 790

15. Contracted services

Information Technology Services	9 612 416	8 800 086
Professional and Consulting Services	14 181 131	29 488 635
Agency Services	328 561	284 937
Property rental	11 891 778	10 485 297
Security Services	1 555 432	1 560 463
Infrastructure Projects	17 164 420	1 190 067
	54 733 738	51 809 485

The increase in current year's Contracted Services is due to road construction material bought for various infrastructure projects implemented in municipalities. For Professional and Consulting services, delays on implementation of the Eastern Seaboard Programme contributed greatly.

Notes to the Annual Financial Statements

	2025	2024
	R	R
16. General expenses		
Advertising expenses	486 306	369 803
Auditors fees	5 413 743	5 835 147
Bank charges	91 427	89 555
Cleaning	886 662	808 941
Office related expenditure	431 701	672 144
Increase/(Decrease) in the provision for bad debts	(16 549)	11 255
Entertainment	292 886	326 871
Lease Payments - Printers and Photocopiers	690 989	619 424
Printing and stationery	598 456	1 297 952
Telephone	1 207 901	1 610 235
Transport	5 584 189	5 476 569
Training	12 887 929	14 192 409
Accommodation	34 546 855	23 968 481
Bursaries	13 164 738	2 196 257
Catering	187 053	129 808
Sundry expenses	2 369 214	3 061 885
Venue expenses	1 652 185	1 411 094
	80 475 685	62 077 830

Included under sundry expenses are the following expenses:

Consumables	519 895	1 090 171
Courier	1 014	5 858
Legal Costs	1 067 844	1 952 836
Other expenses	736 059	-
Net Loss on assets written off	44 402	13 020
	2 369 214	3 061 885

The increase in General Expenses is due mainly to the increase in travelling expenditure as a result of Ministerial visits and increase in bursaries due to other tertiary institutions that were targeted besides TVET Colleges.

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

17. Funds surrendered to DCoG

Funds Surrendered to DCoG	53 769 693	-
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18. Cash generated from operations

Surplus	29 621 150	97 285 437
Adjustments for:		
Depreciation and amortisation	8 067 875	7 005 790
Increase/ (Decrease) in Operating Lease Liability	36 972	(34 203)
(Decrease)/Increase in provisions	1 155 137	(5 403 537)
Loss on assets written off	44 401	18 492
Changes in working capital:		
Receivables from exchange transactions	(692 124)	(631 095)
Increase in Receivables from non-exchange transactions	(12 010 788)	-
Increase in Prepayments	(220 816)	97 763
Decrease in Payables from exchange transactions	4 317 968	(58 093 367)
	30 319 775	40 245 280

Notes to the Annual Financial Statements

	2025	2024
	R	R

19. Commitments

Total commitments

Total commitments (Capital and Operational Expenditure)

Contractors	89 505 853	70 672 031
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Committed payable not later than one year

Contractors	67 011 135	48 672 833
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Committed payable later than one year but not later than five years

Contractors	22 494 719	21 999 197
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This committed expenditure relates to service providers and will be financed by equitable shares from National Treasury through DCoG.

20. Contingencies

1. Claim by service provider for work done on the Northern Cape Bucket eradication programme. Contract was terminated by mutual agreement, the claim is for R12 000 000. There are no prospects of MISA paying based on the expert report on work done. The other amount claimed was not for work performed and MISA also has a counter claim. Furthermore, the reason for termination was due to the submission of a fraudulent tax clearance certificate.
2. An employee's contract was terminated by MISA for an outstanding qualification certificate. 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.
3. 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. The case will be heard again in a new arbitration process and the outcome can go either way.
4. A potential refund of surplus funds to DCoG valued at R210 218 221. Included in this amount is R118 190 765 for the Eastern Seaboard project

Claim against the state	19 752 618	23 752 618
Potential Funds Surrendered to DCoG	210 218 221	178 564 825
	229 970 839	202 317 443

Claims against the state have decreased from R23 752 618 to R19 752 618 due to a claim of R4 million by a former Technical consultant that was dismissed by the North Gauteng High Court with costs.

Notes to the Annual Financial Statements

	2025	2024
	R	R

21. Disclosure in Terms of GRAP 109 - Agency Arrangement between MISA and DCoG

The Municipal Infrastructure Support Agent (MISA) acts as an agent of the Department of Cooperative Governance (DCoG) in administering Schedule 6B Grant Conversion in respect of Emfuleni Local Municipality and uThukela District Municipality MIG Grant. The arrangement is governed by a formal Memorandum of Agreement that sets out the responsibilities of each party.

Nature of the Arrangement

Under the terms of the agreement, MISA facilitates the disbursement of infrastructure support funding to identified municipalities on behalf of DCoG. DCoG, as the principal, retains control over the grant funding, including the determination of grant recipients, allocation amounts, and conditions of disbursement

Remuneration Received

MISA is compensated for the administration of the grants through a management fee as specified in the agreement. For the financial year ended 31 March 2025, MISA recognised R3,581,625 in fee income, which is disclosed in the statement of financial performance under other income as 6B Management fee.

Liabilities Incurred on Behalf of the Principal

MISA does not incur liabilities in its own capacity under this arrangement. All contractual obligations and commitments relating to the funds remain with DCoG.

Risks and Benefits Retained

MISA does not retain any significant risks or benefits associated with the funds. All financial and operational risks related to the infrastructure grant programme are borne by DCoG.

Duration of the Contract.

This Agreement shall be effective from the date of the date of signature which is 6 December 2023 and shall continue to be in force for a period of 3 (three) years. Should this agreement endure for a period that exceeds the 3 (three) year period, an Addendum to this agreement shall be , in writing, entered into by the Parties.

MIG 6B Reconciliation

Expenditure Incurred: Emfuleni Municipality Project	45 891 741	-
Expenditure incurred: uThukela Municipality Project	18 644 646	-
Invoices received by year-end but not yet paid	4 393 415	-
Total invoices paid on behalf of DCoG	68 929 702	-
Add: 5% Management Fee	3 446 485	-
Total	72 376 187	-
Amount paid by DCoG to MISA	(57 841 572)	-
Total	14 534 615	
Receivable from non-exchange transactions		
MIG 6B invoices	13 842 490	-
Receivable from exchange transactions		
MIG 6B Management Fee	692 124	-

Notes to the Annual Financial Statements

	2025	2024
	R	R

22. Related parties

Relationships

The following are members of the same economic entity namely:

- Department of Cooperative Governance.
- Department of Traditional Affairs.
- Municipal Demarcation Board.
- South African Cities Networks-Fellow Controlled Entity.
- South African Local Government Association.
- CLR Rights Commission

Related party balances

Amount included in receivables owed to MISA for MIG 6B invoices paid by MISA on behalf of DCoG.	9 921 529	-
Inter departmental claim receivable by MISA from Independent Development Trust (IDT)	104 044	491 227
Inter departmental claim receivable by MISA from KZN Public Works	-	38 016

Related party transactions

Transfer Recieved		
Transfers from DCoG	406 679 000	401 454 000

Administration fees received from related parties

MIG 6B Management Fee	3 226 814	-
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Refer to note 13 for the Key Management Personnel information and note 26 for members of audit committee.

23. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value, interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk). The management of the entity have overall responsibility for the establishment and monitoring of the entity's risk management policies and procedures which have been established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls and to monitor adherence to limits, risk management policies and procedures and reviewed regularly to reflect changes in market conditions and the entity's activities.

Liquidity risk

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

MISA does not have any long-term liabilities. The entity receives its funding from National Treasury through DCoG and incurs expenditure in terms of a planned budget. MISA has sufficient resources to meet its obligations as they fall due, Refer to note 9. Monthly management meetings are held to ensure that the planned budget is adequately managed.

Maturity analysis

30 days	32 156 954	27 914 993
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Notes to the Annual Financial Statements

	2025	2024
	R	R

23. Risk management (continued)

Credit risk

Financial assets exposed to credit risk at 31 March 2025 were as follows:

Aging analysis of receivables from non-exchanged transactions (neither past due or impaired)

0-3 months	14 596 615	1 785 892
>3-6 months	1 361	21 473
>6-12 months	1 391	(49)
>12 months and older	437 023	526 162
	15 036 390	2 333 478

Aging analysis of receivables from exchanged transactions (neither past due or impaired)

0-3 months	692 124	-
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Market risk

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

24. Defined Benefit Plan

Government Employee Pension Plan

Contributions	15 844 687	15 503 054
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Retirement benefit are provided by membership of the Government Employee Pension Fund which is a defined benefit fund. Parliament's responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made on behalf of its employees. The obligation of the fund is governed by the Government Employees Pension Law, Proclamation 21 of 1996. These contributions are included in surplus or deficit of the reporting period. An Actuarial valuation of the GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation of GEPF was performed in 31 March 2024. This valuation indicates that the plan is in a good sound financial position. As per the actuarial valuation, the fair value of the funds net assets as at 31 March 2024 was R2.34 trillion and the accrued liabilities totalled R1.97 trillion on the best estimate basis.

25. Irregular and Fruitless and Wasteful Expenditure

Irregular expenditure that is under assessment is to the value of R3 921 851.45. This emanates from two bids that were awarded to service providers that were not compliant with SARS.

Notes to the Annual Financial Statements

	2025	2024
	R	R
26. Fees for members of the Audit and Risk Committee		
Mr BH Gutshwa	211 539	88 891
Ms CV Abdoll	55 615	131 675
Mr S Gounden	57 204	132 381
Mr SA Ngobeni	175 561	67 012
Ms P Mzizi	108 052	57 766
Mr LL Makibinyane	-	84 756
Ms N Lubanga	-	102 918
Mr LJ Makoro	-	18 714
Dr P Dala	-	148 925
Mr S Badat	146 188	38 663
Mrs NC Sweepers	49 259	-
Mr CD Boltman	49 259	-
	852 677	871 701

All 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. No payments were made for members Mr LL Makibinyane and Ms N Lubanga in the current financial year due to expired contracts.

27. Actual operating expenditure versus budgeted operating expenditure

- Revenue received from exchange transactions comprises of MIG 6B Management fee and Interest received from the Call Account which was not budgeted for hence the positive variance of R19.59 million.
- Employee related Costs: Expenditure amounting to R199.69 million was incurred against the budget of R234 million. Under expenditure is as a result of vacant positions that were not filled due DPSA directive that must be followed before filling of vacant positions.
- Contracted services: Expenditure amounting to R54.73 million was incurred against the budget of R209 million (inclusive of R124.79 retained surplus funds). The under-expenditure balance on contracted services is mainly due to delays in procurement and project implementation, of which R118 million is for the Eastern Seaboard ring-fenced programme.
- General Expenses: Actual expenditure amounting to R80.48 million was incurred against a budget of R80.27 million, the actual expenditure is on par with the allocated Budget.
- Depreciation: Actual expenditure amounting to R8.07 million was incurred against a budget of R8.05 million. The variance is in line with the budgeted amount.
- Funds surrendered to DCoG amounting to R53.77 million were not accounted for in the Budget.

28. B-BBEE Compliance Performance Information

B-BBEE Performance Information on compliance with the B-BBEE Act is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

29. Prior period error

During the current financial year ended 31 March 2025, a material omission was identified relating to motor vehicles. Specifically, residual values were not determined at the time of acquisition, as required. This has now been corrected as a prior period error in accordance with GRAP 3. The impact of this correction is as follows.

Notes to the Annual Financial Statements

	2025	2024
	R	R

29. Prior period error (continued)

Statement of Financial Position

Increase in Property, Plant and Equipment	-	338 633
Increase in Accumulated Surplus	-	(338 633)

Statement of Financial Performance

Decrease in depreciation expense	-	15 183
Increase in Surplus for the year	-	(15 183)

30. Receivables from exchange transactions

MIG 6B Management fee receivable	692 124	-
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MIG 6B Management fee that was not yet received in the 2024/25 financial year.

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