

About Us

- We are a schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA) 1 of 1999 as amended that reports to Parliament through the Minister of Public Works, who is our Executive Authority.
- Our Mandate is to implement social infrastructure programmes and project management services to all three spheres of government through client-specific service level agreements on a management fee basis.
- We enter into Programme Implementation Agreements (PIAs) with our client Departments in terms of standard contract engagements as specified by the National Treasury Instruction 4 of 2014/15.

Our History

1990

The IDT was established with a R2 billion government grant. Its focus was on Implementing socio-economic development initiatives to uplift poor communities

1997

Cabinet resolution passed. The IDT ceases to be grant funding and civil society based institution and starts to operate as a government support agency.

1999

The IDT is listed as a Schedule 2 Public Entity in terms of the PFMA and focuses on social infrastructure

Present

The IDT is a State Owned social infrastructure programme implementation agency handling over R4 billion programmes focusing on school, justice, welfare and social development, health care, sports-arts-culture facilities and EPWP-NSS management.



A newly built Plattenberg Bay Magistrate Court in the Western Cape





A newly built Booysens Magistrate Court in Gauteng



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Part A

General Information

1. Public Entity's General Information

| | |
|--------------------------------------|--|
| Registered Name | Independent Development Trust |
| Registration Number | 669/91 (Trust Property Control Act [No. 57 of 1988]) |
| Physical Address | Glenwood Office Park Corner Oberon & Sprite Streets Faerie Glen Pretoria 0043 |
| Postal Address of Head Office | PO Box 73000 Lynnwood Ridge, 0040 |
| Telephone Number | +27 12 845-2000 |
| Fax Number | +27 12 348 0939 |
| Email Address | info@idt.org.za |
| Website Address | www.idt.org.za |
| External Auditors | Auditor-General South Africa |
| Bankers | ABSA - Corporate, Lourie Place Hillcrest Office Park 177 Dyer Road Hillcrest 0083 |
| Company Secretary | Mr Vusi Skosana |

2. List of Abbreviations /Acronyms

| | |
|--------------|---|
| AA | Accounting Authority |
| ABTs | Alternative Building Technologies |
| AFS | Annual Financial Statement |
| AGSA | Auditor-General South Africa |
| APP | Annual Performance Plan |
| ARCO | Audit and Risk Committee |
| ASIDI | Accelerated School Infrastructure Delivery Initiative |
| BAC | Bid Adjudication Committee |
| BBBEE | Broad Based Black Economic Empowerment |
| BEC | Bid Evaluation Committee |
| BEPCS | Built Environment Professional and Consulting Service |
| CBE | Council for the Built Environment |
| CBO | Community-Based Organisation |
| CDP | Contractor Development Programme |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| cidb | Construction Industry Development Board |
| CIPC | Companies and Intellectual Property Commission |
| CSIR | Council for Scientific and Industrial Research |
| CSO | Civil Society Organisation |
| CSU | Corporate Services Unit |
| DBE | Department of Basic Education |
| DG | Director-General |
| DOE | Department of Education |
| DOL | Department of Labour |
| DPW | (National) Department of Public Works |
| DSU | Development Services Unit |
| EA | Executive Authority |

| | |
|-------------------|--|
| EC | Eastern Cape |
| ECD | Early Childhood Development |
| ECDC | Early Childhood Development Centre |
| EE | Employment Equity |
| EEP | Employment Equity Plan |
| EPWP | Expanded Public Works Programme |
| EPWP - NSS | Expanded Public Works Programme - Non-State Sector |
| EXCO | Executive Committee |
| FinCom | Finance Committee |
| FS | Free State |
| FSU | Financial Services Unit |
| GAAP | Generally Accepted Accounting Principles |
| GP | Gauteng Province |
| GRN | Goods Receiving Note |
| HCS | Human Capital Strategy |
| HRP | Human Resources Plan |
| ICT | Information and Communication Technology |
| IDMS | Infrastructure Development Management System |
| IDT | Independent Development Trust |
| IT | Information Technology |
| King IV | The King 4 Report on Corporate Governance |
| KZN | KwaZulu-Natal |
| LP | Limpopo |
| MANCO | Management Committee |
| M&E | Monitoring and Evaluation |
| MINMEC | Minister and Members of Executive Council |
| MP | Mpumalanga |
| MTEF | Medium-Term Expenditure Framework |

| | |
|--------------|--|
| MTERF | Medium-Term Expenditure and Revenue Framework |
| MTSF | Medium-Term Strategic Framework |
| NC | Northern Cape |
| NDP | National Development Plan: Vision 2030. |
| NGO | Non-Governmental Organisation |
| NPO | Non-Profit Organisation |
| NSS | Non-State Sector |
| NW | North West |
| OCEO | Office of the CEO |
| PFMA | Public Finance Management Act (PFMA) (Act 1 of 1999), as amended |
| PIA | Programme Implementation Administration |
| PIAA | Programme Implementation Agency Agreement |
| PICC | Presidential Infrastructure Coordinating Commission |
| PIM | Programme Implementation Manager |
| PPPFA | Preferential Procurement Policy Framework Act (No. 5 of 2000) |
| PM | Programme Manager |
| PMC | Policy Management Committee |
| RMC | Risk Management Committee |
| SHEQ | Safety, Health and Environmental Quality |
| SIP | Strategic Infrastructure Programme |
| SMME | Small, Medium and Micro Enterprise |
| SONA | State of the Nation Address |
| WC | Western Cape |



Honourable Mr T.W. Nxesi (MP)
Minister of Public Works

3. Foreword by the Executive Authority

The IDT remains a significant player in driving government goals as expressed in the National Development Plan (NDP). The construction and upgrading of facilities such as schools, health and justice facilities signify our determination to broaden access to learning, health and justice for all and in the process realise some of the goals expressed through the 14 priority outcomes of the South African government.

As one of the implementing agents for the Accelerated Schools Infrastructure Delivery Initiative (ASIDI), the entity is at the heart of government's efforts to eliminate inappropriate structures and improve learning outcomes for our children.

The IDT delivers its mandate amid the emergence of new players in the construction industry and this poses an existential threat to the entity.

This calls upon the organisation to find new, competitive ways of doing business in order to remain relevant. The new Operating Model and Turnaround Plan seeks to, among others, build an in-house built environment capability which will enable the entity to reverse its declining fortunes and claim its place as one of the significant and valued players in the reduction of infrastructure backlogs in the country.

Levels of poverty, unemployment and inequality remain stubbornly high. This threatens to derail the realisation of social justice and the creation of a fairer society. Thus, the creation of thousands of work opportunities through the Expanded Public Works Programme (EPWP), to which the IDT is a key contributor, is one of the social protection measures through which we seek to reduce the levels of poverty through public employment.

The transformation of the built industry remains uppermost in our list of priorities and the IDT, through the implementation of the Contractor Development Programme (CDP) will create a platform for broadening participation in the industry to include historically marginalised individuals while building their capacity to ensure long term sustainability as players in the construction industry. In this respect I am pleased by efforts of the entity to revive this programme after the conclusion of its first phase.

One of the strategic priorities of my Department is improving governance of entities and professional councils. The realisation of these goals is anchored on sound organisational and business practices as well as effective and ethical leadership. This resonates with the second pillar of DPW's turnaround strategy, zero tolerance to fraud and corruption. Accordingly, we expect entities to take swift and decisive action in cases

of corruption and fraud. The past financial year has been a challenging one for the IDT, both in terms of leadership and governance. Owing to perennial failure by the then Board of Trustees to properly exercise its fiduciary duties in terms of the Deed of Trust, I took the decision to disband the former Board of Trustees in March 2018 and appointed Interim Board Members to oversee the affairs of the IDT, pending the installation of a new Board of Trustees.

The reasons for such drastic action were, amongst others, the failure by the Board to effectively deal with reported rampant corruption and malfeasance exposed in various forensic investigations conducted into the affairs of the IDT and its failure to exercise effective leadership which resulted in the loss of critical skills both at executive management and technical levels.

A financially viable IDT is critical for the delivery of government infrastructure plans. In the past financial year the IDT had a number of performance challenges which threaten its long term viability. In response to these challenges, DPW in consultation with National Treasury, approved a short-term financial sustainability plan developed by IDT, which provided for short-term funding support to the entity while the Board and Management work on a long-term plan to sustain the organisation financially.

I have requested National Treasury to assist in providing a rapid diagnosis and options for the implementation of a sustainable Operating Model and Turnaround plan that will restore the integrity of the and ensure that it becomes self-sustaining entity in the long run.

Meanwhile, the IDT has increased efforts to collect monies owed to it, as well as implementing austerity measures to contain costs. The entity is also working closely with the office of the Auditor General to address outstanding audit issues.



Honourable Mr. T W Nxesi, MP
Minister of Public Works



Mr T.E. Motswaledi
Interim Chairperson of the Board

4. Statement by the Interim Chairperson of the Board of Trustees

I present the 2017/18 Annual Report statement on behalf of the “Interim Board of Trustees” of the Independent Development Trust (IDT).

The Interim Board is the result of changes in political leadership which led to different Executive Authorities at the Department of Public Works during the reporting period and had a ripple effect to the Accounting Authority (the Board of Trustees). The Board was reconfigured in August 2017 when the then Chairperson of the Board and his Deputy were replaced as per the provisions of the Deed of Trust. Another reconfiguration of

the Board took place at the end of the period under review. Subsequently, the changes in the Accounting Authority cascaded down to Accounting Officers (CEO's). The Board in October 2017 resolved to suspend and subsequently discipline the incumbent CEO. In his stead, an Acting CEO was appointed but subsequently resigned at the end of April 2018.

Leadership challenges have been prevalent in the history of the IDT and these have created an unstable operating environment both internally and externally. This is evident from the performance of the organisation that has been in decline for the past five to six years. It is my hope that the relevant authorities will fast track the transformation of the IDT among other; its reason for being, the business model and founding legislative framework in order to ensure sustainable leadership for the effectiveness of the governing body.

The IDT has been challenged by a spate of legacy issues including poor performance against its strategic objectives, negative media publicity, disclaimed audit opinions, all of which threatened its long-term sustainability. However, the past financial year has been significant, especially the deliverable that culminated into the Board approving the Operating Model and Turn-Around Plan, which was submitted to both the Department of Public Works and National Treasury, followed up by the implementation.

The organisation conducted a self-introspection through the roll-out of the Organisational Development (OD) project, which unpacked the IDT's way of doing business in comparison to similar organisations and assisted in the refinement of the business model. Among the key findings of the OD project was the skewed skills mix which mostly favoured the administrative and / or support functions instead of the core technical competencies. The outcomes and recommendations of the OD Project were implemented where a number of staff members who were found to not meet the profile of the redesigned jobs were engaged appropriately.

Ethical and effective leadership remained grounded on the principles enshrined in the King IV Report on Corporate Governance, which the Board subscribes to. During the year under review the Board adopted the King IV Report and underwent a continuous development programme on corporate governance and effective leadership. Further, the Board reviewed and reorganised its structures as well as reassigned appropriate leadership to improve its oversight.

The Board appreciates the efforts that went into the execution of the audit action plan besides the audit outcome being the fourth disclaimer audit opinion. As IDT, we do not take such an outcome kindly as it does not reflect on the positive impact of our projects to the citizens of the Republic of South Africa. Some of our achievements, among other, includes the Plettenberg Bay and the Booyens Magistrate Court which are completed and due to be handed over to client departments.

These flagship projects are in addition to the Mpumalanga and Polokwane High Courts, with the latter being operational. Besides the legacy issues of the past, our targeted outcome is an unqualified audit opinion. However, significant improvement on our internal control environment will be a continued priority to achieve our set target. Fast tracking the implementation of the automated programme / project management system and improving the information technology enablement systems will be uppermost in our minds. Such mega projects would not be achieved without finalising the Business Case to transform the IDT to align with the policy statement of the Department of Public Works. Further, such turn-around interventions would not be possible without the capital injection that will ensure the IDT build up to a financially sustainable organisation.

The Minister of Public Works, in approving the Annual Performance Plan for 2018/19 financial year, challenged the entity to work closely with his department, specifically the Property Management Trading Entity (PMTE) to strengthen the necessary synergies. To achieve such, IDT's Business Case

and operational plans should reflect the changing political and economic environment as recommended by the Minister.

I conclude by extending our appreciation to all internal and external stakeholders of the IDT, without whose support, commitment and oversight, the organisation would not have been in existence by now. Appreciation is extended to both the Department of Public Works and National Treasury who monitored closely the implementation of the outcomes of the OD project, within parameters they have set. We therefore look forward to the continued engagement of our stakeholders in executing the mandate bestowed upon the IDT, to manage and implement major social infrastructure programmes.



Mr T E Motswaledi

Interim Chairperson Board of Trustees



Mr CBJ Pakade
Chief Executive Officer

5. Statement by the Chief Executive Officer

The IDT continues to play a critical role in the delivery of social infrastructure projects across the country. This includes the construction of new facilities, upgrading or refurbishment of existing facilities such as schools, clinics, hospitals, correctional centres and courts.

The implementation of social facilities such as schools will not only broaden access to learning opportunities for thousands of children but it will lead to the realisation of one of the most critical goals, a quality basic education for all.

The completion of justice facilities such as the High Courts in

Limpopo and Mpumalanga, Magistrates Courts in Plettenberg Bay in the Western Cape and Booyens in Gauteng is testimony to the IDT's contribution to the fundamental right of access to justice for all. Several job opportunities were created through these projects. All the facilities are in the final stages of completion and will soon be operational. The quality of these structures indicates IDT's commitment to delivering quality infrastructure to the communities it serves and involving them in the development of these facilities.

Although the entity grappled with performance-related challenges which also contributed to the reduction of the size of its portfolio in recent years, there remains widespread consensus that some of the facilities built through the IDT are of the highest quality. This makes the entity a significant contributor to the implementation of government's development agenda. A key differentiator for the IDT is its community facilitation approach which puts communities at the centre of all development initiatives and in the process secure their participation, buy-in and ownership of projects.

Operating Model and Turnaround Plan: South Africa's low levels of economic growth have had a negative impact on the injection of funds into its development initiatives. In consequence, the IDT could not fully achieve its infrastructure targets as many client departments serviced by the IDT could not fund their infrastructure programmes. This severely constrained the size of the entity's portfolio expenditure in the past three years. In order to arrest the decline in its portfolio and address other performance-related challenges, the entity developed a new Operating Model and Turn Around Plan which was approved by the Board of Trustees and submitted to the Minister of Public Works during the reporting period. The Operating Model and Turnaround Plan is envisioned to serve as a structured response to the entity's financial predicament and to propel it towards long-term sustainability. Key features of this plan include among others, improving delivery capacity,

expanding the market share, enhancing procurement agility levels and optimally billing and collecting management fees.

Organisational Development Process: One of the current IDT limitations is the skills and competency gap which has resulted in a skewed distribution of human resources expressed through high numbers of support staff as opposed to technical staff. This has invariably increased the workload on technical staff which in turn has led to poor performance and prolonged turnaround times for critical projects, leading to reputational damage as disaffected clients withdraw their business. In order to address these anomalies and to promote efficiency and effectiveness, the entity had to implement an Organisational Development exercise, whose objective is to match the skills requirements of the entity with the new business model. A notable feature of this process, which is part of the Turnaround Plan, is the envisaged creation of an in-house built environment professional service unit which will increase the technical capability of the IDT. Professional registration with relevant professional bodies for built environment professionals is a critical part of the Turnaround Plan and there was a notable increase in the number of professionally registered personnel by the end of the financial year.

Programme Delivery Planning Efforts: a functional Infrastructure Development Management System (IDMS) is critical to the planning and monitoring of the implementation of public infrastructure projects. Plans are at an advance stage to acquire a new project management system which will enable the organisation to have undertake a timeous technical planning and procurement. The system will also provide clients with real-time progress reports and address problems of non-payment arising from disputes of invoices by clients. Once implemented, the system will make the entity more agile and able to deliver programmes on time, within cost and to the desired quality.

The financial sustainability of the IDT remains the single largest challenge to the organisation and the current funding model is not able to facilitate full cost recovery to sustain the entity's operations. The attainment of cost recovery through management fees at levels ranging between 6.5% and 7.5% is imperative for financial viability. Although previous efforts and interventions that were put in place-which include the issuing of Treasury Instruction 4 of 2014/15- created a sound basis for the strengthening of revenue generating capacity for the IDT, these have proved insufficient to address increasing deficits. Engagements were held with NDPW and National Treasury for supplementary funding resulting in an allocation of R111 million for the 2017/18 financial year. The Operating Model and Turnaround Plan has a number of strategic and operational measures to improve the financial viability of the IDT in the short , medium to long-term.

Response to negative audit outcomes: As part of efforts to address and reverse the audit disclaimers of the past 3 years, the entity developed an audit action plan which is monitored on a regular basis. During 2016/17 financial year, most of the significant audit findings which resulted in the disclaimer of opinion in previous years were satisfactorily addressed, except one issue relating to year-end cut-off procedures. The audit action plan which was developed focused specifically on this area in order to attain an unqualified audit in the 2017/18 financial year. Most regrettably, the significant events that took place during the 2017/18 financial year which led to unplanned leadership changes both at board level as well as executive management level as outlined in the Executive Authority's overview, had a negative impact on this year's audit outcome. As a consequence, the organisation has regressed significantly with two new matters, in addition to the unresolved cut-off challenges, being raised by the AGSA. These relate to the accounting treatment of interest charged on late payments and insufficient controls in the management of EPWP-NSS programme. These matters will be addressed in the revised turnaround plan which has been developed by the interim Board.

In conclusion I wish to thank the the Ministry and Department of Public Works for supporting us and providing sound advice on matters related to the repositioning of the organisation and future financial sustainability of the IDT. I also wish to thank the staff and broader IDT community for their dedication to the entity even in these trying times.



Mr C B J Pakade
Chief Executive Officer



**Seshego Substance Abuse
Treatment Centre**

6. Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed throughout the Annual Report are consistent.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements Part E on page 78 have been prepared in accordance with the SA GAAP, PFMA and the relevant frameworks and guidelines issued by the National Treasury.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority 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 IDT for the financial year ended 31 March 2018.



Mr C B J Pakade
Chief Executive Officer



Mr T E Motswaledi
Interim Board Chairperson

7. Strategic Overview

In the context of South Africa and all its challenges, it is widely acknowledged that access to social infrastructure is essential to building strong and sustainable communities. As such the IDT defines and approaches social infrastructure development as an integrated process which entails all the necessary measures, facilities and networks required to prepare communities to receive, own, manage and sustain their own development.

The cited strategic posture of the IDT is encapsulated in its vision, mission and approach as outlined below.

Vision

To be a leading public sector developmental programme implementation and management agency.

Mission

The IDT manages and delivers integrated quality social infrastructure programmes on behalf of government on time, cost effectively and through a people centred approach.

Our Approach

The IDT's approach to social infrastructure development entails all the necessary measures, facilities and networks required to prepare communities to receive, participate in, own and sustain their own development.

Strategic Pillars

The IDT's strategy and related actions are built to reinforce the continuous interplay and realisation of the following results:

- Quality, speedy and cost effective service delivery;
- Integrated programme delivery service underpinned by social facilitation and community empowerment; and
- A financially sustainable organisation.

Values and Operating Principles

Table1: Values and Principles

| Values | Operating Principles |
|-----------------|---|
| People Centred | <ul style="list-style-type: none"> • We support an enabling leadership culture and talent management • We encourage teamwork, inclusive and participatory approaches • We work towards making positive impact on communities • We are driven by the higher goal of improving the lives of people |
| Integrity | <ul style="list-style-type: none"> • We are open and honest in all our communication • We believe in the integrity of our data and reports • We treat one another with dignity and respect • We conduct our business in a lawful, honest and ethical manner |
| Professionalism | <ul style="list-style-type: none"> • We approach work in a systematic manner • Our service complies with best practice • We strive for continuous business improvement • We deliver quality results • We are responsive, knowledgeable and professionally in our work • We are disciplined and promote appropriate business conduct |

| Values | Operating Principles |
|----------------|---|
| Accountability | <ul style="list-style-type: none"> • We are accountable and responsible to our clients, communities, stakeholders and to one another for our actions • We promote effective regulatory and legislative compliance with financial controls, systems and processes • We are committed to sustainable development and empowerment |
| Visionary | <ul style="list-style-type: none"> • We approach our work in a creative manner • We explore and implement innovative solutions • We are open to new ideas |

8. Legislative and Other Mandates

The IDT was re-constituted as a development agency and public entity in 1997 to support all spheres of government. At its sitting in March 1997, Cabinet resolved that the IDT should be "... transformed into a government development agency that will implement projects which are commissioned by government departments."¹ The organisation was integrated into the public service delivery system in 1999 with the promulgation of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended, and listed as a Schedule 2 Major Public Entity.

The 1997 mandate of the IDT is still in place. The entity reports to Parliament through the Minister of Public Works, its Shareholder Representative and Executive Authority. The IDT's work contributes to the vision of the Department of Public Works. In realising this vision, the Department of Public Works plays four important roles as defined by its mandate. These include:

- Custodianship and management of national government's immovable assets;
- Leading the Expanded Public Works Programme (EPWP);
- Regulating the industries and associated professions falling under its jurisdiction; and,
- Transforming the construction and property sector.

The IDT plays a major role in ensuring that the Department of Public Works delivers on its mandate of building and maintaining government immovable assets in the form of social infrastructure across the country. The entity contributes to the national socio-economic development imperatives such as the eradication of poverty, job creation and localisation through enterprise development. Its strategy is aligned to the

¹ Structural Relationships between government and Civil Society Organisations." A report by the Advisory Committee to the Deputy President, as adopted by Cabinet in March 1997. Page 3.

government's Medium Term Strategic Framework (MTSF) and its strategic themes of poverty eradication and stimulating economic growth.

The IDT takes a special interest in policy positions which are relevant to its mandate. Currently, the most pertinent policy directive is the National Development Plan (NDP): Vision 2030, which is the country's blueprint for national development. Furthermore, the IDT takes cognisance of and actively aligns its work to the National Infrastructure Plan (NIP) approved by Cabinet in 2012. The IDT's mandate directly contributes to the following Strategic Infrastructure Plans (SIPs) under the NIP:

- SIP 6: Integrated Municipal Infrastructure Project
- SIP 12: Revitalisation of Public Hospitals and other Health Facilities
- SIP 13: National School Build Programme.
- SIP 14: Higher Education Infrastructure.

Both the NDP and the NIP enjoin the IDT to contribute to the national agenda 2030 by:

- Fostering balanced economic development;
- Unlocking economic opportunities;
- Promoting mineral extraction and beneficiation;
- Promoting job creation; and
- Facilitating the integration of human settlements and economic development.

The entity, with the support of the Executive Authority is spearheading the IDT's long term sustainability through the implementation of a new Operating Model and Turnaround Plan. The full implementation of the turnaround plan will provide for greater financial security through the diversification of its services and the creation of an in-house built environment professional services capability.

The combined effect of these efforts will ensure the IDT's continued contribution to the national development agenda in the realm of infrastructure development, particularly in social infrastructure construction management.

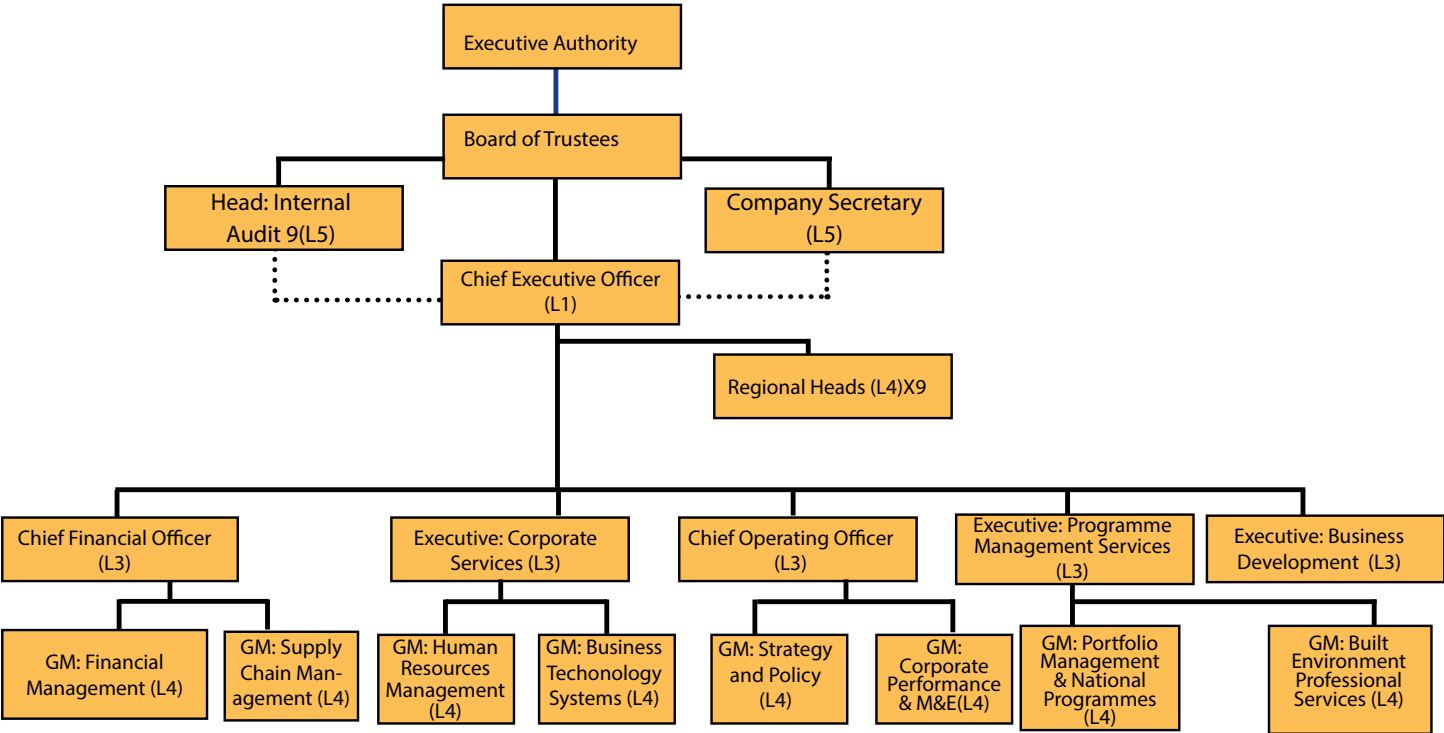
The following laws constitute the legal framework governing the work of the IDT:

- Constitution of the Republic of South Africa: Act, 1996 (Act No. 108 of 1996)
- Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended ;
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004);
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Pension Funds Act, 1996 (Act No. 24 of 1996);
- Companies Act, 2009 (Act No. 71 of 2009) as amended;
- The Trust Property Control Act, 1988 (Act No. 57 of 1988);
- Promotion of Administrative Justice Act 2000 (Act No. 3 of 2000).

8. Organisational Structure

The structure presented in figure 1 reflects top management structure positions as at 31 March 2018.

Figure 1: Top Management Structure





Part B

Performance Information

Executive Committee



Mr CBJ Pakade
Chief Executive Officer



Mr S Ntsandeni
*Acting Executive:
Programme Management Services Unit*



Ms H Kruger
Acting Chief Financial Officer



Mr Ayanda Wakaba
Chief Operating Officer



Mr B Masekwameng
*Acting Executive:
Corporate Services Unit*

1. Auditor's Report: Predetermined Objectives

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

Refer to page 72 of the Report in the Auditors Report, published as Part E: Financial Information.

2. Situational Analysis

2.1 Service Delivery Environment

Government is facing growing pressure from its citizens to deliver services and to promote economic growth and development. However, the low levels of economic growth have imposed constraints on public finances, limiting the ability of government to invest in economic and social development initiatives. This has led to the reduction in budgetary allocations to several client departments with which the IDT conducts business. This had an impact on the size of the IDT portfolio, which in turn affects the entity's ability to deliver on its mandate and contribute to the realisation of government wide priority outcomes. The following constitute significant socio-economic factors that have a bearing on the work of the IDT and the service delivery environment in general:

- Demographic shifts which have led to high rates of urbanisation and a higher demand for infrastructure in urban areas;
- The need for the construction of resilient infrastructure which will withstand the vagaries of climate

change;

- The imperative of integrating information technology infrastructure in the delivery of schools, libraries and community centres;
- Scarcity of skills in the construction sector;
- The challenge of ensuring that old and new school infrastructure meet set norms and standards aimed at creating a conducive teaching and learning environment for all learners;
- Demand for localisation of development benefits emphasising local procurement supplies for programmes, e.g. using local suppliers, creation and extension of job opportunities to local community members first;
- Demand for inclusive development approaches, for example, design of programmes which enhance the role of small contractors, participation of women, youth and people with disabilities;
- Reduction in medium term budget commitments on social infrastructure.

Social infrastructure delivery has the potential to act as a catalyst for development and thus forms part of government's development agenda. Rapid and inclusive social infrastructure delivery will assist in eradicating the legacy of apartheid spatial planning which excluded the majority of people, mainly black, from the mainstream economy. Thus, the use of social infrastructure spend to support government development priorities and improve the livelihoods of marginalised communities remains a central part of the IDT's contribution.

As part of its contribution to the national development agenda, the entity made a number of achievements during the reporting period. Some of the notable achievements

include the following.

- Creating 57 112 work opportunities through the Expanded Public Works Programme Non State Sector (EPWP-NSS) initiative
- Supporting 355 Non- Profit Organisations (NPOs), Non-Governmental Organisations (NGOs) Community Based Organisations (CBOs) through the EPWP-NSS initiative.
- Spending 67% (R2.889 billion) of weighted BBBEE spend against a target of 65%. This represents a 103% achievement against the target.
- Spending 20% (R862.62 million) of its programme spend on women against a target of 20%.

In addition, the following targets were partially achieved.

- Expenditure of R4 313 113 000 on programme spend against an annual target of R5 billion. This represents an achievement of 86%.
- Spending 6% (R258.78 million) of the total programme spend on youth against a target of 15%..

In addition to these, the entity renovated, upgraded and maintained 130 facilities and built 23 new facilities. All these efforts contribute to the realisation of a number of outcomes, amongst others *Outcome 1: Improved quality basic education* and *Outcome 4: Decent employment through inclusive economic growth*.

In order to build a financially viable, compliant, results-based, efficient and focused organisation, the entity also reached a number of key milestones during the reporting period. The entity reached a number of milestones in terms of risk management, corporate efficiency ratio and human resource management. The key achievements in this respect include the following:

- Achieving corporate budget savings of 10.8% against a target of 5%
- Attaining a Risk Maturity Level of 5 as per the National Treasury Capability model.
- Achieving a corporate efficiency ratio of 8.8 % against a target of 8.6%.
- Developing, implementing and monitoring audit action plans for business units as part of its efforts to reverse negative audit outcomes of the previous financial year,

These achievements are part of our goal of building an IDT that is relevant, effective, efficient, and sustainable.

2.2 Organisational Environment

In recent years the IDT has had to contend with a decline in its programme portfolio and expenditure levels. The decline in the programme portfolio can be attributed to the withdrawal of business by disaffected client departments. Furthermore, client departments have had to contend with reduced budgetary allocations as a result of low levels of economic growth. These challenges have posed an existential crisis to the IDT, forcing it to find ways to adapt to the changing operating environment. Some of the measures undertaken to ensure that the organisation remains relevant to the government developmental agenda include the following:

- Assessing the root causes of poor performance as part of a new Operating Model and Turnaround plan.
- Positioning the IDT as a hub for built environment professionals and competencies in the public sector by building its technical delivery capacity;
- Retaining clients through mending broken relations;
- Building trust, a positive image and a good reputation;

- Securing new programmes and clients and improving service levels;
- Exploring effective mechanisms such as stakeholder management to enhance its working relationship with the provincial Departments of Public Works.

2.3 Key Policy Developments and Legislative Changes

The thrust of the 2018 State of the Nation Address (SONA) was economic growth, employment creation, transformation and addressing governance challenges in State-Owned Entities (SOEs). This policy statement has implications for the IDT and resonates with the strategic priorities of the national Department of Public Works such as the creation of jobs opportunities through the Expanded Public Works Programme (EPWP) and improving governance of entities and professional councils.

The IDT is an integral part of the government service delivery machinery tasked with supporting social infrastructure programme delivery across all spheres of government. The continued sustainability of the entity is under threat due to, among others, financial viability emanating from poor performance and the resultant withdrawal of business portfolio by clients. The leadership of the entity led by the Board had engagements with NDPW and National Treasury, resulting in the entity receiving funding support of R111 million from the NDPW via National Treasury. As part of efforts to address these challenges, the entity conducted a diagnosis of its performance problems. The diagnosis, which is part of a revised Operating Model and Turnaround Plan approved by the Board during the reporting period, identified the following as some of the root causes of the performance challenges:

- Poor resourcing of the organisation;
- Outdated business systems;

- Inefficient process impacting on the efficiency of service delivery;
- Inappropriate and outdated Organisational design and structure, which is not aligned to the needs of the IDT business;
- Poor oversight particularly relating to corporate and personnel performance as well as regulatory compliance;
- Lack of decision relating to the new business case which informs strategic direction and positioning of the IDT.

The Operating Model and Turnaround Plan has clear, measurable targets and time frames. The short-term goal of the implementation plan for the Turnaround Plan is to stabilise the organisation and redirect its focus and organisational ethos to reverse the declining performance.

During the reporting period, the Board approved a number of policies aimed at regulating and strengthening the internal operating environment and governance. This was informed by, among others, the need to align policies with the Operating Model and Turnaround Plan. As part of its Turnaround Plan, the entity implemented an Organisational Development process aimed at correcting its structural configuration to promote efficiency and effectiveness. This inevitably led to a number of personnel leaving the organisation. A new organisational structure was approved by the Board and the process of migrating to the new structure started during the reporting period.

2.4 Strategic Outcome Oriented Goals

2.4.1 Programme 1: Integrated Service Delivery

Strategic Outcome Oriented Goal 1: The IDT contributes to the State's capacity to effectively implement development programmes. The organisation does this through managing the delivery of multi-sectoral development programmes – predominantly social infrastructure – for and on behalf of client departments, state institutions, municipalities, and in some cases the private sector.

Goal Statement 1: The IDT adopts a distinctive approach to the delivery of social infrastructure which empowers communities to receive, own, manage and sustain their own development:

Strategic Objectives

- To deliver quality social infrastructure on time, within budget and scope;
- To provide efficient, effective and integrated public social infrastructure programme management services;
- To employ a developmental approach in the delivery of development programmes on behalf of government to strengthen community ownership and social cohesion; and,
- To manage public employment programmes on behalf of government in order to strengthen job creation efforts.

2.4.2 Programme 2: An effective and efficient administration

Strategic Outcome Oriented Goal 1: An effective and efficient administration. Effectiveness relates to the IDT's ability to make a meaningful difference in the lives of the country's citizens, and thus meet the objectives of the Shareholder in a cost-effective manner and as a responsible corporate citizen.

Goal Statement 1: The IDT is an effective, efficient and sustainable organisation.

Strategic Objectives

- A financially viable, compliant, results-based, efficient and focused organisation.
- Building a sustainable organisation and maintaining a clean administration which is committed to the efficient use of resources, compliant with relevant legislation and regulations and accountable.

Table 2 shows linkages between the IDT's strategic outcomes oriented goals and its contribution to the National Development Plan (NDP) outcomes.

Table 2: IDT's Contribution and Alignment to National Development Plan's (NDP's) Priority Outcome Areas

| Priority Outcome Areas | IDT Contribution |
|---|--|
| Improved quality of basic education | Eradicate infrastructure backlogs through social infrastructure programme spend in building , replacing, refurbishing and upgrading school infrastructure. |
| Decent employment through inclusive economic growth | Creating work opportunities through the Expanded Public Works Programme Non-State Sector (EPWP-NSS) initiatives , % of weighted BBBEE spend; % value of expenditure on women, % value of programme expenditure on youth. |
| A skilled and capable workforce to support an inclusive growth path. | Drive the transformation of the built environment through: -implementing the Contractor Development Programme (CDP), and supporting EPWP cooperatives, NPOs and CBOs |
| An efficient, competitive and responsive economic infrastructure network | Improving the maintenance of existing and new infrastructure through: <ul style="list-style-type: none"> Measuring the value of social infrastructure programme spend and the promotion of alternative construction initiatives in the building of school infrastructure. |
| Create a better South Africa and contribute to a better and a safer Africa and World | Greening the economy and the built environment by: <ul style="list-style-type: none"> Promoting alternative construction initiatives in the building of school infrastructure; and supporting EPWP cooperatives, NPOs and CBOs |
| An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship. | Driving the transformation of the built environment through: Effective financial and non-financial performance, investing in professional registration of built environment employees, and supporting human resources and talent development. |

2.4.3 Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

In the 2017/18 financial year, the IDT had 24 targets. Nine (9) of these targets were under Programme 1 and the remainder (15) under Programme 2.

2.5 Actual Performance against the Predetermined Targets

2.5.1 Performance Overview

Despite the harsh operating environment, the IDT continued to strive for effective delivery. The entity achieved 12 (i.e. 50%) of its 24 targets. Five (5) of these targets (21%) were partially achieved while the rest, seven (7) (29%) were not achieved. This is a 35 percentage point improvement from the 2016/17 performance. Table 3 below presents the approved IDT corporate performance standards for predetermined objectives and targets.

Table 3: Corporate Performance Rating

| Performance Scores | Relative Performance Level in % terms | Strategic Objective 1 | Strategic Objective 2 | Total | Performance description |
|--------------------|---------------------------------------|-----------------------|-----------------------|-------|---------------------------|
| 1 | 0-50 | 2 | 4 | 7 | Target not achieved |
| 2 | 51-85 | 2 | 3 | 5 | Target partially achieved |
| 3 | 86-115 | 4 | 7 | 10 | Target achieved |
| 4 | 116-130 | 1 | 0 | 1 | Target exceeded |
| 5 | 131+ | 0 | 1 | 1 | Target over achieved |
| Total | | 9 | 15 | 24 | |

In 2017/18, the entity spent R4 313 billion on social infrastructure delivery. The portfolio spend per programme category is reflected in figure 3. Infrastructure contributes to the public sector-driven economic growth and development.

2.5.2 Programme 1: Integrated Service Delivery

The entity achieved 5 out of 9 targets under Programme 1 during the reporting period. This represents 55% performance. The entity also partially achieved 2 out of 9 targets (i.e. 22%) under Programme 1. The remainder, 2 out of 9 was not achieved.

The following reflects the performance of Programme 1:

- Total value of programme spend was R4 313 billion against an annual target of R5 billion at the end of the financial year. This represents an achievement of 86%;
- Sixty-seven percent (67%) or R2 889 billion of weighted BBBEE spend against a target of 65% of total programme spend (R4 313 billion). This represents a 103% achievement against target;
- Value of programme spend on women was 20% (R862.62 million) of total programme spend. This represents a 100% achievement.
- The number of work opportunities created through the Expanded Public Works Programme (EPWP) was 57 112 against a target of 50 000; and
- The organisation supported 355 NPOs against a target of 280 through EPWP-NSS.
- The following targets were partially achieved as per the approved corporate performance rating scale which identifies a performance level of 51 - 85% as a partial achievement while performance below 50% is

considered a non-achievement.

- The number of work opportunities created through the IDT portfolio during the reporting period was 5 920 against a target of 7 500. This decline in performance is linked to the withdrawal of programmes by client departments;
- Value of programme spend on youth was 6% (R258.788 million) of total programme spend of R4 313 billion against a target of 15%.
- The target on the value of programme spend on the Contractor Development Programme participants (both women and youth) as a percentage of total programme spend was not achieved since the programme was not implemented during the reporting period. This can be attributed to the delays in the renewal of the CDP after its cycle ended. Efforts are underway to recruit new participants for the next financial year.

Table 4 presents a summary of Programme 1 performance against set targets. The table also provides reasons for variance in performance where applicable.

Table 4: 2017/18 Annual Performance Summary: Programme 1

| | |
|---|---|
| STRATEGIC OUTCOME ORIENTED GOAL 1 | THE IDT CONTRIBUTES TO THE STATE'S CAPACITY TO EFFECTIVELY IMPLEMENT DEVELOPMENT PROGRAMMES. |
| GOAL STATEMENT 1 | <i>To adopt a distinctive approach to the delivery of social infrastructure which empowers communities to receive, own, manage and sustain their own development:</i> |
| PROGRAMME NAME : INTEGRATED SERVICE DELIVERY | |
| STRATEGIC OBJECTIVES | <p>Deliver quality social infrastructure on time, within budget and scope</p> <p>To employ a development approach in the delivery of development programmes implementation on behalf of government to strengthen community ownership and cohesion</p> <p>To manage public employment programmes on behalf of government in order to strengthen job creation efforts</p> |
| OBJECTIVE STATEMENT 1 | <i>To provide efficient, effective and integrated public social infrastructure programme management services:</i> |

| PERFORMANCE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|-----------------------------------|---|---------------|-------------------------|----------------|----------|---|
| Value of programme spend | R4 805 991 000 % | R5 billion | R 4 313 113 000 | -R 686 887 000 | 86% | Expenditure is marginally below target mainly due to delays in transfer of funds by clients which is affecting all regions. |
| % value of weighted BBBEE spend | R3 750 989 804 (85.56%) | 65% | 67% [R2 889 785 710] | 2% | 103% | Majority of companies engaged by the IDT are BBBEE compliant. |
| Value of programme spend on women | New target (previous target focused on value of contracts awarded to women) | 20% | 20% [R862 622 600] | 0% | 100% | |

| PERFORMANCE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|--|---|---------------|----------------------|----------|----------|---|
| Value of programme spend on youth | New target (previous target focused on value of contracts awarded to youth) | 15% | 6% [R258 786 780] | 9% | 40% | The number of and levels of expenditure and participation by youth owned entities in the construction projects during the reporting period was low resulting in underperformance on the target |
| % of women contractors participating in the Contractor Development Programme (CDP) | 0% | 65% | 0% | 100% | 0% | The call for the intake of new CDP participants was cancelled due to the fact that the tender did not comply fully with all the requirements. The programme will be relaunched in the new financial year. |
| % value of programme spend on contractor development participants as a % of total value of programme spend | 0% | 4% | 0% | 100% | 0% | The call for the intake of new CDP participants was cancelled due to the fact that the tender did not comply fully with all the requirements. The programme will be relaunched in the new financial year. |
| Number of work opportunities created through the IDT portfolio | 7102 | 7 500 | 5 920 | 1 580 | 79% | Underachievement is due to programmes that have been withdrawn by client departments |
| Number of EPWP-NSS work opportunities created | 58 637 | 50 000 | 57 112 | 7 112 | 114% | Target exceeded due to higher rates of replacement of participants exiting the programme |

| PERFORMANCE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|---------------------------------|----------|---------------|--------|----------|----------|---|
| Number of EPWP NPO's contracted | 391 | 280 | 355 | 75 | 126% | The participation criteria were relaxed which led to the appointment of more NPOs |

STRATEGIES TO OVERCOME UNDER-PERFORMANCE

| Target | Strategies |
|---|---|
| Value of social infrastructure programme spend | The entity will continue to engage National Treasury to resolve the non-payment of fees by client departments |
| Value of programme spend on women | The entity will intensify its efforts to promote the participation of women and youth in the construction industry as required by Preferential Procurement Policy Framework Act (PPPFA) regulations of 2017 |
| Value of programme spend on youth | |
| Percentage of women contractors participating in the Contractor Development Programme | Intake of new participants is planned for 2018/19 financial year. The programme was reviewed during the 2017/18 financial year. |
| Percentage value of programme spend on Contractor Development Programme participants as a % of total value of programme spend | |
| Number of work opportunities created through the IDT portfolio | The entity will continue to engage clients to address the withdrawal of projects while working on increasing the value of its portfolio. |

Figure 2: Expenditure Performance Trend: 2014/15 – 2017/18

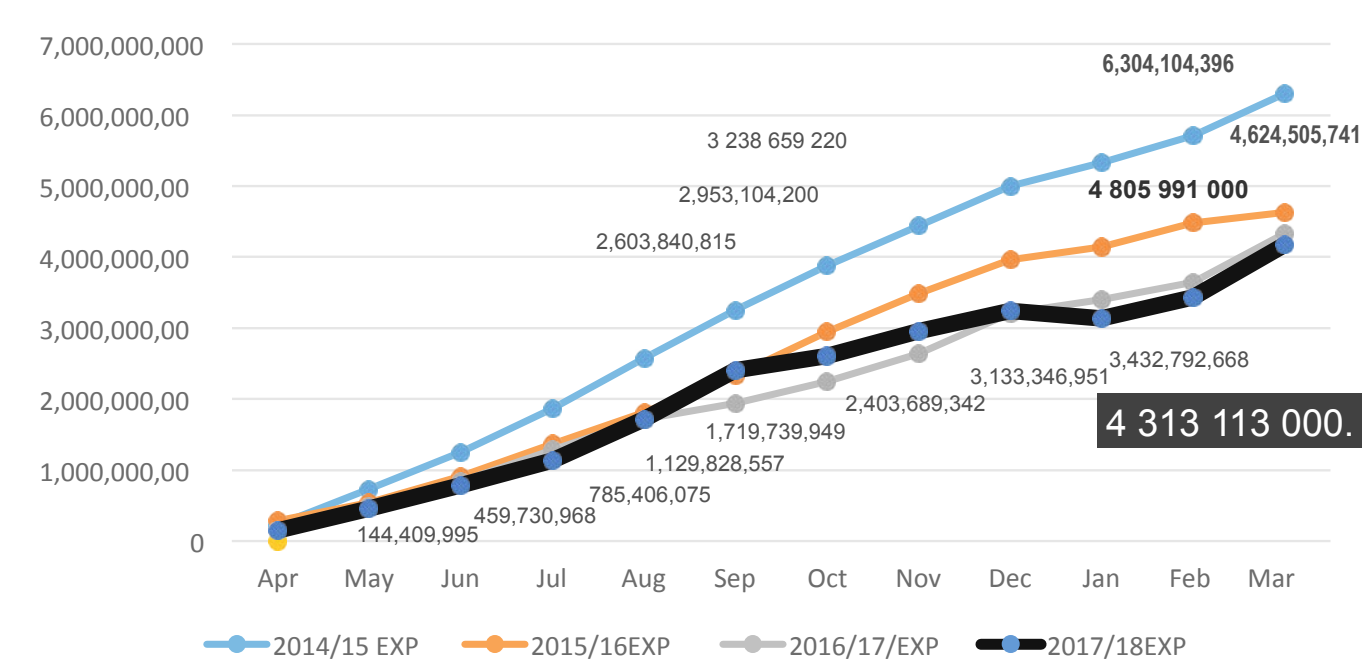
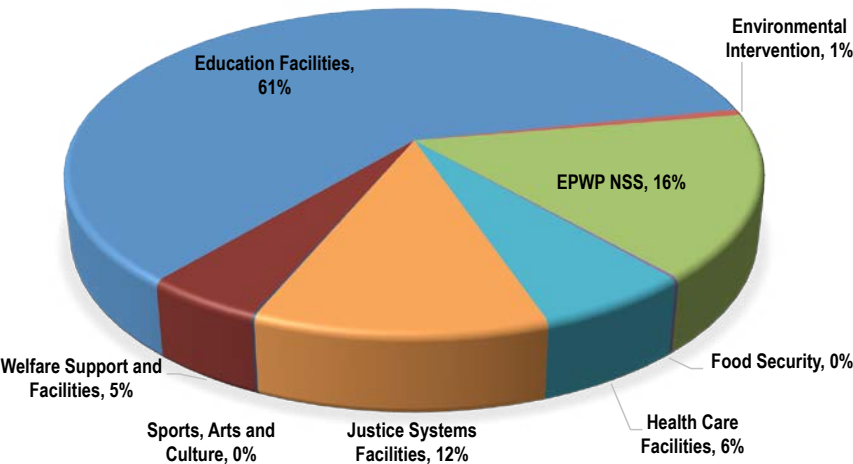


Figure 2 (above) and figure 3 (below) provide a summary of the programme spend per programme portfolio.

Figure 3: Portfolio Spend per Programme



2.5.3 Programme 2: Administration

The entity achieved 8 targets out of 15 under programme 2 during the reporting period. This represents 53% achievement. The organisation also partially achieved 3 out of 15 targets and this translates into a 20% partial achievement.

The following is a breakdown of achievements under Programme 2:

- The 2018/19 Annual Performance Plan was approved by the Board, the Executive Authority and tabled in Parliament;
- A corporate efficiency ratio of 8.8% against a target of 8.6%. This represents an 102% achievement; and
- Attained corporate budget savings of 10.8% against a target of 5%. This represents an achievement 216%.

Some of the targets were either partially achieved (in progress) or not achieved:

- Corporate occupancy level for funded positions was 69% against a target of not less than 92%. This was due to the moratorium placed on the filling of vacant posts necessitated by the Organisational Development process implemented during the reporting period.
- Management fees billed were 4.7% against a target of 5.5%. This was as a result of a decline in programme portfolio and delays in transfers of programme funds by client departments.

- During the reporting period, the organisation was able to pay 50% of the total number of invoices received within 30 days. This can be attributed to delays in transfer of funds by client departments.

Table 5 below presents a summary of Programme 2 performance against set targets. The table also provides reasons for deviation from targets (variance) where applicable.

Table 5: Performance Summary: PROGRAMME 2 (WEIGHT: 40%)

| | |
|--|--|
| STRATEGIC OUTCOME ORIENTED GOAL 2 | AN EFFECTIVE AND EFFICIENT ADMINISTRATION |
| GOAL STATEMENT | THE IDT IS A RELEVANT, EFFECTIVE, EFFICIENT AND SUSTAINABLE ORGANISATION |
| PROGRAMME NAME: ADMINISTRATION | |
| STRATEGIC OBJECTIVE 2 | A financially viable, compliant, results-based, efficient and focused organisation |
| OBJECTIVE STATEMENT 2 | Building a sustainable organisation and maintaining a clean administration which is committed to the efficient application of resources, compliance with regulations and legislation and which is accountable. |

| OBJECTIVE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|--|--|---|--|----------|----------|---|
| Effective financial and non-financial performance management | Disclaimed audit opinion | Financial audit: unqualified outcome | Disclaimer | 100% | 0% | The main cause of disclaimer was programme cut-off and interest paid on late payments. |
| | Qualified Audit outcome | Performance information audit outcome: Unqualified outcome | Disclaimer | 100% | 0% | Programme cut off and EPWP Non State Sector (NSS) expenditure supporting information which could not be completely and accurately tested. |
| | 64% of invoices were paid out within 30 days | Average number of days for payments from date of invoice receipt: 30 days | 50% of invoices receipt were paid within 30 days | 50% | 50% | Mainly due to delays in transfer of funds from client departments |

| OBJECTIVE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|--------------------------------|------------------|---|---|----------|----------|---|
| Risk and compliance management | N/A (New target) | 100% compliance with quarterly targets as per approved Risk Compliance and Management plan for 2017/18 | complied with quarterly targets on Risk and Fraud management as per approved Risk, Fraud and Compliance Management Plan for 2017/18 (except ethics) | 6% | 94% | The ethics compliance part of the target was not achieved |
| | N/A (New target) | Risk Management Maturity Level 3 achieved based on annual assessment to be conducted one month before end of financial year i.e. 28 February 2018 | The entity received a Risk Maturity Level of 5 as per the National Treasury Capability Model | 0% | 100% | |

| OBJECTIVE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|--------------------------|---|---|---|----------|----------|--|
| Human Capital management | Draft human capital strategy was submitted to EXCO for approval but was halted because of Organisational Development process. | Human Capital Strategy in place and implemented | Human Capital Strategy in place and implemented. Only 80% implemented successfully. | 20% | 80% | OD Process has not been completed as a result focus has been on its implementation. Moratorium on recruitment remained in place until the end of the reporting period. |
| | Corporate occupancy level: 92% | Corporate occupancy level for positions not less than 92% | 69%Corporate occupancy level for positions less than 92% | 25% | 75% | The current organisational financial standing and the on-going OD process necessitated an exit of employees with no replacements because of moratorium on recruitment |
| | Employment Equity Plan approved | Employment Equity Plan implemented | 86% Quarterly reporting on the implementation of the Employment Equity Plan is undertaken | 14% | 86% | Due to the current OD project, majority of the vacant positions were filled on a temporary basis. Employment contracts ended and exits due to severance packages but no replacements were made |
| | N/A (New target) | Base targets set for each designated group | 90% registered African professionals set as base target | 10% | 90% | Due to the OD project, there was a moratorium on filling of vacancies |

| OBJECTIVE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|----------------------------|---|--|--------|----------|----------|---|
| IDT's sustainability | Average management fee billed: 4.8% | Annual average management fee billed: 5.5% | 4.7 % | 0.8% | 85 % | The Organisation has not met its programme expenditure target due to project delays and unimplemented new business programme portfolio. This has impacted on the management fee billed by the organisation. |
| | Annual management fee collection rate of 82% was attained | Annual management fee collection rate: 90% | 67.6% | 22.4% | 75% | Management fees collection is largely dependent on transfer of funds from client departments. During this financial year (as was the case in previous financial years) the delay in funds transfers from client departments has adversely affected performance on the target. |
| % Efficiency of operations | Corporate efficiency ratio of 7.5% attained | Corporate efficiency ratio: 8.6% | 8.8% | 0% | 102% | |
| | Corporate budget saving of 21.6% attained | Corporate budget savings: minimum 5% | 10.8 % | +5.8 % | 216% | |

| OBJECTIVE INDICATOR | BASELINE | ANNUAL TARGET | ACTUAL | VARIANCE | ACHIEVED | COMMENTS |
|------------------------|---|---|--|----------|----------|---|
| Communication | Communication plan was approved and implemented (86% performance level) | Communication Strategy in place and implemented | The strategy has been reviewed and the report will be presented to EXCO for approval | 0% | 100% | |
| Stakeholder Management | (New Target: it did not exist in prior years) | Stakeholder Management Strategy in place and 2017/18 plan implemented | Stakeholder Management Strategy and Plan was only presented to MANCO as a first step towards being presented to EXCO. It was never approved by EXCO. | 70% | 30% | The task was not completed because of capacity constraints following retrenchment of the relevant official. |

Strategies to overcome under-performance

| Target | Strategies |
|---|---|
| Human Capital Strategy in place and implemented. Only 80% implemented successfully. | This will be resolved through the filling of vacant positions once the OD exercise is completed and moratorium on filling of positions has been lifted. |
| 69% corporate occupancy level for positions less than 92% | |
| Average number of days for payments from date of invoice receipt: 30 days | IDT senior management, Public Works and National Treasury to engage with affected client departments on to resolve the issue delays in transfer of funds. |
| Annual management fee collection rate: 90% | |
| Stakeholder Management Strategy in place and 2017/18 plan implemented | The function has been decentralised to regional managers with effect from 2018/19 financial year. |

2.6 Linking Performance with Budgets

The organisation's total operational expenditure amounted to R370 million of which approximately 70% was spent on Programme 1 while 30% was spent on Programme 2 to deliver programmes worth R4.3 billion as shown in table below.

Table 6: Budgets and Expenditure by Organisational Strategic Objectives

| Strategic Objectives | Ratio (%) | Actual (R'000) | Budget (R'000) |
|--|--------------|-------------------|-------------------|
| Deliver quality social infrastructure on time, and within budget and scope | 70 | 259 667 | 286 608 |
| A compliant, results-based, efficient and focused organisation | 30 | 111 286 | 122 832 |
| Total | 100 | 370 954 | 409 440 |

***Note:** Bad debt provision has been ignored as it does not form part of administrative expense and was not budgeted for.

The 5 main cost drivers behind the overheads expenditure are summarised in Table 7. The relative quantum of the spread of the overhead expenditure is in line with the nature of the core business of the entity. The IDT provides and is paid for specialist skills, mainly programme management, supply chain management and construction project management. Furthermore, travelling to and from sites, and accommodation of programme and project management personnel is inadvertently part of delivering value to clients.

Table 7: Major cost drivers of overheads

| Cost category | Actual (R'000) | Percentage of Overhead (%) |
|--|-------------------|-------------------------------|
| Salaries | 250 674 | 67.6 |
| Facilities | 26 785 | 7.2 |
| Travel | 15 553 | 4.2 |
| Consultancy fees | 10 266 | 2.8 |
| Legal fees | 12 577 | 3.4 |
| Total Expenditure on key cost drivers | 315 855 | 85.2 |
| Total Operational Expenditure | 370 954 | |

The cost-drivers shown in table 7 account for over 85% of the total overhead expenditure. Overhead expenditure is the investment that the organisation makes in order to deliver the multi-billion programmes.



Part C

Governance

Interim Board of Trustees



Mr T Motswaledi
Interim Chairperson of the Board



Ms N Rakolote
Board Member



Ms M Fatyela-Lindie
Board Member



Mr M Mthombeni
Board Member



Ms O Matloa
Board Member

1. Introduction

The IDT regards the maintenance of an effective governance system as not only a compliance matter but an indication of the entity's commitment to be an accountable corporate citizen both to the shareholder and the country's citizens. This governance section of the report provides highlights on the organisation's efforts towards maintaining and strengthening good governance practices in line with statutory parameters, the Deed of Trust, the Shareholder's Compact and the underlying corporate values.

2. Portfolio Committee

The IDT reports to Parliament regularly on its Strategic Plan and Annual Performance Plan through the Portfolio Committee on Public Works (PCPW). The compliance record of the organisation relating to adherence to reporting requirements is covered under Section 5.4.

3. Executive Authority

The IDT is classified as a Schedule 2 Public Entity under the Public Finance Management Act (PFMA) No. 1 of 1999 as amended and is wholly owned by government. The Shareholder's representative is the Minister of Public Works through whom IDT reports to Parliament.

The Minister holds the Board of Trustees accountable for delivering on its mandate through the Shareholder's Compact. The IDT is regulated by its Trust Deed, No.669/91. As per the Trust Deed, the appointment of the Board is the responsibility of the shareholder.

4. The Board

4.1 Introduction

The Board is the Accounting Authority. On an annual basis

and to formally give direction and outline responsibilities, obligations and expectations, the Executive Authority and Accounting Authority enter into a Shareholder's Compact Agreement.

4.2 Functioning of the Board

The Board has the responsibility of setting the strategic direction of the IDT towards fulfilling its mandate. The Board is committed to sound corporate governance principles as enshrined in the King IV report on Corporate Governance. It is to this end that the Board continuously exercises its oversight responsibilities on the entity. From time to time the Board considers and reviews the elements of the governance framework and is satisfied that it has discharged its responsibilities with regard to the applicable governance and regulatory prescripts.

The Board regulates its powers and responsibilities where it allocates certain powers, rights and responsibilities through the Delegation of Authority Framework to constituted committees and the Chief Executive Officer.

4.3 Board Charter

The Board and its sub-committees operate within up to date and approved charters. The Board Charter outlines the purpose of the Board, in line with the Section 50 and Section 51 of the PFMA dealing with the Fiduciary duties and General Responsibilities of the Accounting Authorities, respectively, as well as the Shareholder's Compact. Drawing from the Board Charter, the Board's primary responsibilities include giving strategic direction to the IDT, identifying key risk areas and key performance indicators for the IDT's business, monitoring investment decisions, considering significant financial matters and risks, and reviewing the performance of Executive Management against defined objectives and, where applicable, industry standards.

The Charters of the Board Committees have been developed to ensure that the structures help to accentuate in a practical manner the oversight role of the Board. The Charters are reviewed annually.

The Board, during the reporting period, paid attention to the following governance imperatives:

4.3.1. Annual Performance Plan (APP) approval

The Board approved the 2018/19 APP which was signed-off by the Minister of Public Works on 15 March 2018 and subsequently tabled in Parliament. The APP was duly submitted to National Treasury in line with PFMA prescripts.

4.3.2. Regional Roadshows

The leadership of the Board, accompanied by the CEO, undertook regional roadshows to keep staff abreast on the developments in the organisation informed by, among others, the Board approved Operating Model and Turnaround Plan and as well as the OD process.

4.3.3. Continuous Professional Development

As part of strengthening its oversight and improving its effectiveness, the Board participated in the continuous development training focusing on corporate governance, in particular the King IV Report and its principles which the Board subscribes to.

4.3.4. Approval of policies

Following the recommendations of respective committees, the Board considered and approved a number of policies aimed at regulating the internal operating environment. The review of policies was informed by the developments of the applicable legislative framework, addressing the audit findings

as well as alignment of policies with the Board approved Organisational Development Project, Revised Operating Model and Turnaround Plan.

4.3.5. Filling of vacant positions.

The Board confirmed support from the Executive Authority for the moratorium on employment to be lifted in order for the organisation to be adequately capacitated and deliver on time, quality and requisite specifications.

4.3.6. Performance outlook of the organisation

There has been a decline of organisational performance in recent years. The Board noted the changes in the operating environment and decline in fiscal allocations to client departments. A number of client departments continued to delay transfers of programme funds to the IDT and this remained a major concern due to the risk of litigation, damage to reputation as well as the late payment of service providers. This had a negative impact on the payment turnaround time which in turn negatively affected the cash flow of service providers, especially small and emerging contractors, who can hardly afford delays in payment. As part of the ongoing risk assessment, the Board identified this as a strategic risk for the organisation with an impact on its going concern status.

4.3.7. Operating Model and Turnaround Plan

The focus of the Board during the reporting period was the conclusion of the Revised Operating Model and Turnaround Plan aimed at reconfirming the IDT as a social infrastructure implementation agency listed under Schedule 2 of the Public Finance Management Act (PFMA) No. 1 of 1999 (as amended). The Operating Model and Turnaround Plan was submitted to the national Department of Public Works as the shareholder representative as part of efforts to address the liquidity

and sustainability challenges of the IDT. The NDPW made a conditional grant available to the IDT after approval by the National Treasury. One of the conditions was for the IDT to expedite its repositioning through an OD exercise. This led to a redesign of a structure with a bias towards built environment technical skills. The redesigned structure will be implemented during the 2018/19 financial year.

4.3.8. The Risk and the Audit Committees

The 2 Committees respectively convened their meetings to perform their oversight responsibilities relating to the internal control environment, the strategic risks affecting the IDT and progress made in addressing external audit findings through the audit action plan. The Board approved a revised Charter as well as the terms of reference of the reconstituted committees, except for the Social, Ethics and Transformation Committee which was set to convene its meeting in the fourth quarter of 2017/18. Further, the Board approved its revised remuneration model and submitted it for ministerial concurrence and endorsement to which an in-principle approval was granted.

4.4. Board and Committee Meeting attendance

During the period 1 April to 31 July 2017 the Board operated as per the Committee Structure approved and reported on in the 2016/17 financial year, the mandates of which were not changed. Record of meeting attendance is recorded in Table 8.

With effect from 1 August 2017 a new Chairperson and Deputy Chairperson of the Board were appointed to the IDT Board. They were inducted to the IDT and its functioning and engaged on the short to medium term identification of interventions required to turn the IDT around. This process flowed from the Board Strategy Workshop and fed into the Estimates of National Expenditure Budget as well as the Organisational

Development Project and the Revised Operating Model and the Turnaround Plan.

During the process, the Board reviewed its Committee structure which was approved for implementation from November 2017.

Table 8 indicates a revised committee structure and broad mandates. A record of meeting attendance for the period between 1 August 2017 and 31 March 2018 is presented in Table 10.

Table 8: Board attendance 1 April 2017 to 31 July 2017

| | Board Meeting | Board Executive Committee | Finance Committee (Joint F & A) | Strategic Planning & Programmes Committee | | Human Resources & Corporate Services Committee | | | Audit & Risk Committee |
|--|---------------|---------------------------|---------------------------------|---|-----|--|---|-----|------------------------|
| Number of meetings | 4 | 2 | 1 | 3 | | 3 | | | 3 |
| Scheduled | 1 | 1 | 1 | 2 | | 1 | | | 2 |
| Joint meeting | | | | | | | | | 1 |
| Special | 3 | 1 | | | | | 2 | | |
| Dr S Fikeni (Chairperson) | 2/4(Chair) | 2/2 | | | | | | 1/2 | |
| Ms N Rakolote (Deputy Chairperson) | 4/4 | 2/2 | 1/1 | | | 3/3 | | | 1/2 |
| Mr S Biniza | 3/4 | | 1/1 | 2/3 | | | | | |
| Dr G Kabanyane | 3/4 | | | 3/3 | | 3/3 | | | |
| Ms A Makhado | 2/4 | | 1/1 | 2/3 | | | | | 2/2 |
| Ms O Matloa | 3/4 | | 1/1 | 1/3 | | | | | 2/2 |
| Mr T Motswaledi | 4/4 | 2/2 | | 3/3(Chair) | | 3/3 | | | |
| Ms P Nkomo | 4/4 | 1/1 | 1/1 | 2/3 | | | | | |
| Mr R Patel | 4/4 | | | | 3/3 | | | 2/2 | |
| Mr Z Zitha | 4/4 | 2/2 | 1/1(Chair) | 1/3 | | 3/3 | | | 1/2 |
| Dr L Zitha | 3/4 | | 1/1 | | | | | | |
| Independent Chairperson of the Audit and Risk Committee | | | | | | | | | |
| Ms S Boulton | 3/4 | 2/2 | | | | | | | 3/3(Chair) |

Table 9: Revised committee structure and Board

| Board key Committee Mandates | | | | | |
|--|---|--|--|---|---|
| Audit Committee | Risk Committee | Human Resources Committee | Core Business Committee | Remuneration, Nominations and Governance Committee | Social, Ethics and Transformation Committee |
| <ol style="list-style-type: none"> 1. Review effectiveness of the internal control systems. 2. Review IDT's operations risk areas covered in the scope of internal and external audits, including forensic audit. 3. Review the adequacy, reliability and accuracy of financial information provided by management to other users of such information. 4. Review any accounting auditing concerns identified as a result of internal and external audits. 5. Review IDT's compliance with legal and regulatory provisions. 6. Review the activities of the internal audit function, including its annual work programme coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations. 7. Review and recommend annual report for approval by the board.. | <ol style="list-style-type: none"> 1. Monitor risks across IDT's Enterprise Risk Management Framework (ERMF). 2. Address specific risk types under the mandate of other Board Committees. 3. Oversee the development of the risk strategy and risk management plan. 4. Approve the risk appetite. 5. Review risk policies for Board's approval. 6. Maintain the ERMF. 7. Continuously monitor the organisation's risk profile. 8. Setting the tone on the risk management culture. 9. Review and update the Combined Assurance Framework. 10. Develop appropriate monitoring, evaluation and reporting tools. | <ol style="list-style-type: none"> 1. To ensure that IDT's human resources policies are effectively implemented. 2. Its main objective is to assure the Board that staff regulations and conditions of service for executives and employees are properly implemented. 2.1 Review the Human Capital (HC) strategy. 2.2 Monitor implementation of HC strategy. 2.3 Review the performance scorecard. 2.4 Oversee Employment Equity and HC Statutory reports. 2.5 Talent management – training and development plan. | <ol style="list-style-type: none"> 1. Section 51 (1) (a)) <ol style="list-style-type: none"> 1.1 Maintenance of a system for properly evaluating all major capital projects prior to a final decision of the project. 2. Recommend to the Board approval a framework for managing programmes / projects and related methodology <ol style="list-style-type: none"> 2.1 Planning (Portfolio, Programme, 2.2 Project Feasibility studies (project concept) 2.3 Design, project preparation, project funding 2.4 Infrastructure implementation 2.5 Close-out report and lessons learnt 2.6 Maintenance / improvement / refurbishment 3. Determine and set parameters for project approval – regional, national (executive), Board Committee, Board and Executive Authority. | <ol style="list-style-type: none"> 1. To ensure that IDT's remuneration policies are effectively implemented. <ol style="list-style-type: none"> 1.1 Determine the remuneration of the CEO and Board members for approval by the Minister of Public Works. 1.2 Determine the remuneration of the Executive Management for Board's approval in accordance with the remuneration structure as approved from time to time. 2. Its main objective is to assure the Board that staff regulations and conditions of service for executives and employees are properly implemented, that they are being fairly and competitively compensated, and that individuals are rewarded according to their contribution to the organisation's success. 3. The committee oversees and reviews short-term incentive schemes and fringe benefits 4. Evaluate and determine adequacy, efficiency and appropriateness of governance structures. 5. Advice Board on any issues of fundamental strategic importance beyond the scope of committee mandates. | <ol style="list-style-type: none"> 1. The committee provides assurance to the Board regarding the development and administration of social, ethics and environmental policies and ensures that management appropriately implements social ethics and environmental management programmes 2. Cultivate a culture of ethical conduct and sets values: <ol style="list-style-type: none"> 2.1 Code of ethics and business conduct 2.2 Gift policy 2.3 Declaration of interest 2.4 Ethics Management Programme 3. Monitors the implementation and transformation of BBBEE and activities relating to: <ol style="list-style-type: none"> 3.1 Social and economic development 3.2 Good corporate citizenship 3.3 Environment 3.4 Health and (public) safety |

| Board key Committee Mandates | | | | | |
|--|---|---------------------------|--|---|--|
| Audit Committee | Risk Committee | Human Resources Committee | Core Business Committee | Remuneration, Nominations and Governance Committee | Social, Ethics and Transformation Committee |
| <p>8. Comment on its evaluation of the annual financial statements in the annual report.</p> <p>9. Report on the effectiveness of internal controls in the annual report.</p> <p>10. Review the expertise, resources and experience of the finance function.</p> <p>11. Review regular reports on (core business) funding and entity's liquidity position and monitor compliance with funding agreements.</p> | <p>11. Ensure that disaster recovery and business continuity systems are up to date and functional.</p> | | <p>4. Evaluate and recommend the nature of programmes and projects to be implemented by the organisation.</p> <p>5. Consider and review the business / service delivery model of the organisation.</p> | <p>6.6 Succession planning – Board and Executives.</p> <p>7. Assessments / evaluation of Board – skills, experience and effectiveness.</p> <p>8. Board continuous development programme.</p> <p>9. Performance review – CEO, CoSec, Individual Members.</p> <p>10. Approval by the Board of the remuneration policy and employment practices.</p> <p>11. Review performance incentives.</p> <p>12. Board fees – recommendation to Executive Authority</p> <p>13. Annual salary adjustments.</p> | <p>3.5 Client / stakeholder relationships</p> <p>3.6 Labour and employment practices</p> |
| <p>12. Act as a channel of communication between the Board and management, internal auditors, external auditors, risk and compliance function by receiving timely reports and resolution of issues.</p> <p>13. Perform such functions as required from time to time by National Treasury in regulations relating to public entities.</p> <p>14. Ensure application of the Combined Assurance Model to address key risks faced by the organisation.</p> <p>15. Where relevant, review the independence and objectivity of the external auditors.</p> <p>16. Assist the Board carry out its Information Technology (IT) responsibilities – IT strategy and key IT risks.</p> <p>17. Oversee IT frameworks.</p> | | | | | |

Table 10: Board attendance 1 August 2017 to 31 March 2018

| | Board | Audit Committee | | Risk Committee | Core Business Committee | | Human Resources Committee | Remuneration, Nominations and Governance Committee | Social, Ethics and Transformation Committee |
|--|-------|-----------------|-----|----------------|-------------------------|-----|---------------------------|--|---|
| Number of meetings | 8 | 2 | | 4 | 2 | | 2 | 2 | 1 |
| Scheduled | 5 | 2 | | 3 | 2 | | 2 | 2 | 1 |
| Strategy | 1 | | | | | | | | |
| Special | 2 | | | 1 | | | | | |
| Mr N Ngubane (Chairperson) | 8/8 | | | | 2/2 | | | | |
| Mr A Baloyi (Deputy Chairperson) | 8/8 | | | | 2/2 (Chair) | | 2/2 | 1/2 | |
| Mr S Biniza | 5/8 | | | | 2/2 | | 2/2 (Chair) | 1/2 | |
| Dr G Kabanyane | 6/8 | | | | | | 2/2 | | 1/1 |
| Ms A Makhado | 3/8 | | | | | | | | |
| Ms O Matloa | 4/8 | 2/2 (Chair) | | 4/4 | 2/2 | | | 2/2 | |
| Mr T Motswaledi | 8/8 | 2/2 | | 4/4 | | | | 2/2 | |
| Ms P Nkomo | 3/8 | 4/4 | | | 2/2 | | | | 0/1 |
| Mr R Patel | 8/8 | | | | | | | 1/1 | |
| Mr Z Zitha | 8/8 | 2/2 | | | | 2/2 | | 1/1 | |
| Dr L Zitha | 6/8 | | | 4/4 | | | 1/2 | | 1/1 (chair) |
| Independent Chairperson of the Audit and Risk Committee | | | | | | | | | |
| Ms S Boulton | 1/8 | | | | | | | | |
| Mr M Burton | | 1/1 | | | | | | | |
| Dr P Dala | | 1/1 | | | | | | | |
| Mr P Moilola | | 1/1 | 3/4 | | | | | | |

Table 11: Compliance Record for the 2017/18 Financial Year

| DATES | DOCUMENT | SUBMITTED TO/PRESENTATION |
|---------------|--|--|
| 30 April 2017 | 2016/17 Year-end Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 31 May 2017 | 2016/17 Unaudited Annual Financial Statements | Auditor-General South Africa and National Treasury |
| 30 June 2017 | 2017/18 First Quarter Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 30 Sept. 2017 | 2016/17 Annual Report | Executive Authority for tabling to Parliament |
| 31 Oct. 2017 | 2017/18 Second Quarter Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 31 Jan. 2018 | 2017/18 Third Quarter Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 31 Jan. 2017 | 2017/18 Annual Performance Plan | Office of the Minister of Public Works |
| 10 March 2018 | 2018/19 Print copy of the Annual Performance Plan | Tabling to Parliament |
| 14 March 2018 | 2018/19 Print copy of the Annual Performance Plan | National Treasury |

5. Risk Management

Guided by the PFMA, King Code on Corporate Governance, the IDT maintains an Enterprise Risk Management Policy and Framework which directs the organisation in relation to the structures, processes and standards that must be implemented to manage risks in the organisation. The Audit and Risk Committee of the Board has the delegated responsibility to ensure that the organisation has identified the key risks facing it and that a strategy to manage those risks is developed and implemented. The outcome of the risk assessment informs the rolling 3 and annual internal audit plan that is approved and monitored by the Audit and Risk Committee.

The Organisation's Risk Management Strategy is an essential instrument for managing risks. The objectives of the Risk Management Strategy are to:

- Implement, entrench and continuously enhance effective and efficient risk management process and culture;
- Ensure effective communication of the purpose, role and processes of risk management to stakeholders and ensure accessibility of the services of the risk unit;
- Ensure that risk management consistently aligns with corporate strategic direction and any environmental factors as applicable; and
- Ensure ongoing compliance with risk management standards of performance.

The organisation also has an established Risk Management Committee, chaired by the Chief Executive Officer (CEO) and reporting to the Audit and Risk Committee, which has the responsibility to review the organisation's Risk Management Strategy. The Compliance and Risk Office is tasked with the responsibility of ensuring that constant monitoring and

reporting on progress made in mitigating risks within the organisation is done. During the reporting period, the key risks highlighted below were identified.

5.1. Reputational Risk

The risk arose from events which have an adverse impact on the standing and public esteem of the IDT emanating from:

- Delayed payments to suppliers due to delays in transfer of programme funds,
- Negative audit outcome.

5.2. Litigation

The construction industry is highly litigious in nature. Instances of non-compliance with contractual obligations abound, creating the risk of litigation against the entity. Other risks emanate from uncertainty in the applicability or interpretation of contracts, laws or regulations.

5.2.1. Financial viability and sustainability

Financial sustainability of the IDT remains the single largest challenge to the organisation. The attainment of cost recovery through management fees at levels ranging between 6.5% and 7.5% is imperative for attaining financial viability. Cost recovery levels over the years have not been high enough to prevent operating deficit.

5.2.2. The Organisational Development process

The entity has undergone an Organisational Development exercise as part of its new Operating Model and Turnaround Plan. The exercise was aimed at addressing the anomaly where only 37% of personnel had technical skills while the majority possessed non-core skills. As a result, the OD exercise led to several employees leaving the organisation. This, together

with the moratorium on the appointment of new employees, created capacity gaps and also exposed the entity to labour relations disputes.

5.3 Compliance with Laws and Regulations

As a public entity the IDT is committed to sound governance and compliance with the legislative requirements of the country. Table 12 provides a summary of the compliance with respect to submission of various reports to appropriate accountability structures.

5.4 Anti-Fraud and Corruption

In April 1999, the National Treasury issued Treasury Regulations to the Public Finance Management Act ("PFMA"), and these were effective from June 2000. Treasury Regulation 29.1.1 (amended April 2001) requires a Public Entity such as the Independent Development Trust ("the IDT") to develop a Corporate Plan that must include a Fraud Prevention Plan. The IDT is also guided by the Prevention and Combating of Corrupt Activities Act, 12 of 2004, the Prevention of Organised Crime Act, 121 of 1998 (POCA), and the Protected Disclosures Act, 26 of 2000. These pieces of legislation are relevant to fraud and corruption prevention and provide the regulatory basis for the Fraud Prevention Plan.

The IDT is committed to the eradication of unethical behaviour, fraud and corruption in the work environment, and ensuring that the public funds it is entrusted with are wholly and properly utilised in the pursuit of its mandate. The IDT has zero tolerance to fraud. The Fraud Prevention Policy and Fraud Prevention Plan are implemented to ensure that a fraud and corruption free environment is created and sustained. All fraudulent activities are investigated and followed up by the application of remedies available within the law. Actions taken includes the implementation of appropriate prevention and detection controls as well as disciplinary action.

The IDT has an independent fraud hotline to handle reported fraud cases and ensuring confidentiality for whistle blowers. All reported cases are investigated and action plans monitored by the Audit and Risk Committee and the Board of Trustees.

5.5 Minimising Conflict of Interest

Following the review of the Code of Ethics and Business conduct, declaration of interest has become a standard agenda item in all meetings of the Board, Board Committees, and Management structures such as EXCO, MANCO, Bid Adjudication Committees and all other formal governance meetings of the IDT.

Employees and members of the Board of Trustees are required to complete declaration of interest forms indicating potential business conflict, financial and private interests and any other activities that should be declared. Employees who fail to declare are subjected to internal corrective measures. The declared interests are then confirmed through Companies and Intellectuals Property Commission (CIPC) verification process. This process is done annually.

5.6 Code of Conduct

The Code of ethics and business conduct is reviewed annually to ensure that it adheres to relevant legislation and regulations. The awareness campaigns are continually undertaken to ensure that employees understand and adhere to the required practice according to the code of ethics and also new employees are inducted with the code being a standing item in all induction workshops for new employees.

5.7 Health, Safety and Environmental Issues

The IDT has an operational Safety, Health, Environment and Quality (SHEQ) Policy that provides the umbrella framework for dealing with the subject matter. Due to the unique nature

of construction projects and the related project sites, each site has a specific SHEQ Plan. The Plans align to the Occupational Health and Safety Act (85 of 1993) and related regulations. The IDT and its agents are responsible on behalf of clients, for the preparation and implementation of the SHEQ plans, and monitoring and reporting thereof.

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Part D

Human Resource Management

1. Introduction

During the period under review the IDT embarked on an Organisational Development exercise. The overall objective of this project was to review the current Service Delivery Model and determine if the existing organisational structure matches the revised IDT Strategic goals and the Service Delivery Model. The project focused on the review of the current (As-Is-State) in terms of organisational structure, skills and competencies and how these processes effectively support the reviewed Service Delivery (To-Be-State) Model. In order to operationalise the reviewed organisational structure, the organisation consulted with various stakeholders including employees, organised labour, the national Department of Public Works and National Treasury. This was very critical to ensure buy-in into the project. Naturally, the consultation process took longer than expected, especially with organised labour because in implementing the project there was a potential of displacing employees. By the end of the reporting period the process of matching and placement at the lower levels of the organisation had not been concluded. Some of the challenges related to the moratorium that was placed by the shareholder and National Treasury on the recruitment of new talent during the review of the organisational structure.

The overall organisational context though is still that IDT is institutionalising the revised service model to ensure that it has the desired skills and competency levels as well as a high performance culture. This, it is hoped, will create a skilled, vibrant, and sustainable organisation that delivers efficiently and effectively on its mandate.

2. Set HR priorities for the year under review and the impact of these priorities

2.1 Skills and Competency

The operating environment demands increased levels of professionalisation and continuous skills development. The previous learning and development initiatives to address this area of gearing the organisation to deliver have been less successful. There are new and existing competencies that will be required to prepare the organisation to deliver on areas such as infrastructure planning, infrastructure procurement planning, and infrastructure delivery and maintenance.

Interventions that have been introduced through the OD process include, amongst others:

- Development of a Skills and Competency Framework aligned to the revised service model;
- Review the organisational structure with regard to the revised service model, organisational needs and efficiency requirements;

Develop and acquire skills and competencies in critical areas of the business. A Human Resource Plan will be subsequently developed to ensure that the right people with the right skills are placed in the right jobs.

2.2 Reinvigorate high performance culture

There is need to translate the espoused organisational values such as people centeredness, professionalism and accountability into observable behavioural indicators in order to reinvigorate the desired culture to support the new way of doing business. This culture should support high performance and excellence in delivery as well as attraction and retention of critical skills for the IDT.

2.3 Workforce planning framework, key strategies to attract and recruit a skilled and capable workforce

In the next financial year, the IDT will continue to implement the new organisational structure to ensure that the technical skills and competencies are available to enable the organisation to deliver on its mandate. The implementation of the new structure will be phased-in in a manner that aligns recruitment with available resources. This will enable the organisation to recruit the skills required at a particular time.

The IDT will ensure that it monitors and evaluate its organisational structure to reflect a positive slant towards technical skills. Once the new structure is fully implemented, it will hopefully improve the entity's value proposition to the current and potential clients.

2.4 Employee performance management framework

The IDT has a Performance Management Framework which was used to manage employee performance during the financial year. Although 80% of employees complied with the requirements set by the Framework, the introduction of the OD exercise interrupted the overall implementation of the performance management system. This is because some employee's contracts were ending during the consultation process but most were not going to be renewed.

2.5 Employee wellness programmes

The introduction of the OD project caused a lot anxiety to the employees. To mitigate the wellness challenges that were accompanied by the OD project, the IDT made available to employees the employee wellness programme from ICAS. The services provided included, among others:

- Stress Management;
- Financial Management: especially those whose employment contract were not renewed;
- Relationship Management: between managers and employees during the anxious time.

As part of promoting healthy living amongst employees, staff members participated in soccer and netball games. Employees also participated in the annual 702 Walk the Talk event.

2.6 Performance highlights

Most essential human resource policies, including the Workplace Learning, Job Evaluation and Sexual Harassment were reviewed and approved. The IDT has partnered with Council for Built Environment (CBE) for a structured mentorship/candidacy programme in order to accelerate the professional registration of technical staff in order to improve the value proposition to its clients.

3. Human Resources Oversight Statistics

Tables 13 to 24 present human resources oversight statistics in terms of personnel cost which includes training costs, employment and vacancies statistics, staff turnover including reasons for leaving, and employment equity.

Table 13: Personnel Cost by Programme:

| Programme / activity / objective | Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel Expenditure as a total % of total Expenditure | No of employees |
|----------------------------------|--|-------------------------------|---|-----------------|
| Core Business | 270 819 | 183 007 | 30.84% | 238 |
| Support | 100 134 | 67 666 | 19.91% | 88 |
| TOTAL | 370 954 | 250 673 | 50.75% | 326 |

3.1 Personnel Cost by Salary Band

Table 14: Personnel Cost by Salary Band

| Level | Personnel Expenditure (R) | No. of employees |
|------------------------|---------------------------|------------------|
| Top Management | 3 186 522 | 3 |
| Senior Management | 19 922 | 29 |
| Professional qualified | 66 897 | 87 |
| Skilled | 70 942 | 92 |
| Semi-Skilled | 80 288 | 104 |
| Unskilled | 8 458 | 11 |
| TOTAL | 250 673 | 326 |

Performance Rewards

No performance rewards were awarded during the reporting period

3.2.1 Training Costs

15: Training costs

| Programme/Activity/Objective | | | | Training Expenditure | No of Employees Trained | Average Training Cost Per Employee |
|------------------------------|--|--|--|----------------------|-------------------------|------------------------------------|
| Total Training Cost | | | | 2 659 000 | 298 | 8 922 |
| | | | | | | |

| Programme / activity / objective | Total Expenditure | Training Expenditure | Personnel Expenditure as a total % of total Expenditure | No of employees | Average personnel cost per employee (R) |
|----------------------------------|-------------------|----------------------|---|-----------------|---|
| Internship Programme | 196 447 | 1 911 000 | 1% | 48 | 39 812 |
| Total | 574 | 4 518 596 | 2%% | 346 | |

Staff Establishment Status

Table 16: Employment and Vacancies

| Level | 2017/2018 No. of Employees | 2017/2018 Approved Posts | 2017/2018 Vacancies | % of vacancies |
|------------------------|----------------------------|--------------------------|---------------------|----------------|
| Top Management | 3 | 6 | 3 | 50% |
| Senior Management | 29 | 46 | 17 | 37% |
| Professional qualified | 87 | 126 | 39 | 31% |
| Skilled | 92 | 133 | 41 | 31% |
| Semi-Skilled | 104 | 119 | 15 | 13% |
| Unskilled | 11 | 11 | 0 | 0.00% |
| TOTAL | 326 | 441 | 115 | 26% |

| Programme /activity/ objective | 2017/2018 No. of Employees | 2017/2018 Approved Posts | 2017/2018 Vacancies | % of vacancies |
|--------------------------------|----------------------------|--------------------------|---------------------|----------------|
| Core Business | 238 | 319 | 81 | 18% |
| Support | 88 | 122 | 34 | 8%- |
| Total | 326 | 441 | 115 | 26% |

Table 17: Employment Changes

| Salary Band | Employment at the beginning | Appointments | Terminations | Employment at the end of the period |
|------------------------|-----------------------------|--------------|--------------|-------------------------------------|
| Top Management | 6 | 0 | 4 | 3 |
| Senior Management | 32 | 2 | 8 | 27 |
| Professional qualified | 96 | 6 | 14 | 90 |
| Skilled | 97 | 5 | 12 | 95 |
| Semi-Skilled | 122 | 14 | 46 | 103 |
| Unskilled | 11 | 0 | 0 | 11 |
| TOTAL | 364 | 28 | 84 | 329 |

3.2.3 Staff Turnover

3.2.3.1 New appointments

Table 18: New Employee per Grade 2017/18

| Grade | Functions | Q1 | Q2 | Q3 | Q4 | Total |
|--------------|---|-----------|-----------|----------|----------|-----------|
| PG01 | CEO | 0 | 0 | 0 | 0 | 0 |
| PG02 | Executive | 0 | 0 | 0 | 0 | 0 |
| PG03 | Executive | 0 | 0 | 1 | 2 | 3 |
| PG04 | General Managers | 0 | 2 | 0 | 0 | 2 |
| PG05 | Senior Managers, Portfolio Managers | 2 | 3 | 1 | 0 | 6 |
| PG06 | Programme Managers, Legal Advisers, Managers | 2 | 2 | 0 | 0 | 4 |
| PG07 | Compliance Officer, Costing Engineer, communication specialist | 0 | 1 | 0 | 0 | 1 |
| PG08 | Personal Assistants, Researchers | 1 | 0 | 0 | 0 | 1 |
| PG09 | Programme Implementation Managers | 0 | 4 | 0 | 1 | 5 |
| PG10 | Programme employees (e.g. administrators) | 2 | 0 | 0 | 0 | 2 |
| PG11 | Administrators e.g. Programme Implementation Assistants; Admin Assistants | 7 | 1 | 2 | 0 | 10 |
| PG13 | Receptionists, Filing clerks, Data Capturers | 1 | 0 | 1 | 1 | 3 |
| PG12 | Admin Assistants | 0 | 0 | 0 | 0 | 0 |
| PG18 | Office Attendants , Cleaners | 0 | 0 | 0 | 0 | 0 |
| Total | | 15 | 13 | 5 | 4 | 37 |

Table 19: New Employees per Business Unit 2017/18

| Business Unit | Q1 | Q2 | Q3 | Q4 | Total |
|-------------------------------|----|----|----|----|-------|
| Programme Management Services | 6 | 9 | 3 | 1 | 19 |
| Office of the CEO | 1 | 0 | 0 | 0 | 1 |
| Corporate Services Unit | 3 | 1 | 0 | 0 | 4 |
| Financial Services Unit | 3 | 0 | 1 | 0 | 4 |
| Total | 13 | 10 | 4 | 1 | 28 |
| | | | | | |

Termination of Service

Table 20: Reasons for staff leaving

| Terminations | Total | % of total number of staff leaving |
|-----------------------------|-----------|------------------------------------|
| Contract Expired | 39 | 46% |
| Death | 1 | 1% |
| Dismissed | 0 | 0% |
| Resignation | 20 | 24% |
| Early Retirement | 0 | 0% |
| Incapacity | 1 | 1% |
| Retirement | 2 | 2% |
| Voluntary Severance Package | 17 | 21% |
| Retrenchment | 3 | 5% |
| Total | 83 | 100% |

Labour Relations / Disciplinary Cases

Table 21: Disciplinary Cases

| Disciplinary Action | Number |
|---|--------|
| Verbal Warning | 0 |
| Precautionary Warning | 6 |
| Written Warning (Emanating from disciplinary proceedings) | 1 |
| Final Written Warning | 1 |
| Dismissal | 0 |

Equity Targets and Employment Equity Status

Table 22: Employment Equity: Males

| Level | MALE | | | | | | | |
|------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management | 17 | 17 | 1 | 1 | 0 | 1 | 2 | 3 |
| Professional Qualified | 45 | 40 | 1 | 2 | 2 | 2 | 3 | 3 |
| Skilled | 45 | 62 | 2 | 5 | 0 | 2 | 1 | 3 |
| Semi-skilled | 31 | 40 | 0 | 3 | 0 | 4 | 0 | 2 |
| Unskilled | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 141 | 161 | 4 | 11 | 2 | 9 | 6 | 11 |

Table 23: Employment Equity: Females

| Level | FEMALE | | | | | | | |
|-------------------------|------------|------------|----------|-----------|----------|----------|----------|-----------|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Senior management | 8 | 13 | 0 | 1 | 0 | 1 | 1 | 2 |
| Professional Qual-ified | 31 | 40 | 2 | 2 | 1 | 2 | 2 | 3 |
| Skilled | 44 | 69 | 0 | 5 | 0 | 3 | 1 | 4 |
| Semi-skilled | 70 | 70 | 0 | 3 | 1 | 1 | 1 | 2 |
| Unskilled | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 164 | 203 | 2 | 11 | 2 | 7 | 5 | 12 |

Table 24: Disabled Staff

| Level | DISABLED STAFF | | | |
|------------------------|----------------|----------|----------|----------|
| | MALE | | FEMALE | |
| | Current | Target | Current | Target |
| Top management | 0 | 0 | 0 | 0 |
| Senior management | 0 | 0 | 0 | 0 |
| Professional qualified | 1 | 0 | 0 | 1 |
| Skilled | 0 | 1 | 0 | 0 |
| Semi-skilled | 0 | 0 | 1 | 0 |
| Unskilled | 0 | 0 | 0 | 0 |
| TOTAL | 1 | 1 | 1 | 1 |



Part E

Financial Information



Ms H Kruger
Acting Chief Financial Officer

1. Overview by the Acting Chief Financial Officer

1.1. Overview of the Annual Financial Statements

The entity continued to pursue its vision to be a leading public sector developmental programme implementation and management agency.

The financial results for the 2017/18 financial year were disappointing and continued on the negative trend of the two prior financial years. The entity's financial performance reflects a deficit of R92.0 million for the 2017/18 financial year. This represents a 31% improvement from the R134 million deficit of the 2016/17 financial year. Revenue declined by 7.9% to R201.6 million. [The year on year revenue decline is a direct result of the continued decline in programme expenditure which declined by a further 10.3% to R4.3 billion during the period under review].

During the financial year the organisation received a government grant of R111.1 million from the National Department of Public Works through National Treasury. The grant had a number of stringent conditions attached, all of which were met in order to receive the grant transfers in 3 tranches. In the main, the conditions centred around the development and implementation of an Organisational Development plan and process, ensuring an increased focus on technical rather than administrative skills deployment. The grant funding was required to support the operational shortfall experienced as a result of the low revenue and slow management fee collections from client departments. Cash and Cash equivalents improved materially to R18.5 million compared to the R2.8 million in the previous financial year.

However, the funds on investment of R51.4 million as at 31 March 2017 have been fully utilised to support operational requirements. Trade receivables decreased by 31.6%. There were signs of improvement in the payment patterns of some client departments. However bad debt provision to the value of R44.8 million has been raised to provide for long outstanding debt relating to the provincial departments of Education and Health in KwaZulu-Natal and Eastern Cape respectively. Despite a number of challenges, assets exceed liabilities by R120.9 million.

1.2. Revenue and Overhead Expenditure

Management fees declined by 7.9%, (from R219.0 million in the 2016/17 financial year) to R201.6 million in the 2017/18 financial year. The main contributing factor to this continued decline is the corresponding decline in programme expenditure for the financial year under review. Programme expenditure of R4.313 billion is 39% below the targeted programme expenditure of R6.8 billion. Total employment expenses amounted to R250.7 million, which is 22.3% higher than the comparative figure of R204.9 million for 2016/17. This is as a result of the payment

of retrenchment costs incurred as well as the appointment of temporary staff in certain critical areas. The real staff costs increase was 3.6% year on year, excluding the retrenchment cost.

Administration expenses totalled R115.8 million which is 14% lower than the comparative figure for 2016/17. This was due to the austerity measures implemented by the organisation throughout the year under review.

1.3. Audit Outcome for the current financial year

The Auditor General has issued a disclaimed audit opinion for the financial year ended 31 March 2018.

1.4. Irregular, Fruitless and Wasteful expenditure

The organisation identifies transactions which are irregular, fruitless and wasteful through its system of internal control, including structures such as Bid Adjudication and Variation Order Committees. Where applicable, submissions for condonement are made to the Board of Trustees and appropriate action taken against transgressors via the Consequence Management Committee. In cases where there are reasons to suspect fraud or corruption, investigations are initiated. Irregular, fruitless and wasteful expenditure has been disclosed in the annual financial statements.

1.5. Challenges and future outlook

The implementation of the OD process and the resultant staff losses made the previous financial year a challenging one. Similarly, the level of programme expenditure as well as resultant impact on revenue remains a key concern. The declining financial position of the organisation have recent years threatened its ability to continue operating its business

as a going concern. The improvement of stakeholder liaison efforts will hopefully result in improved cash collections from client departments.

1.6. Events after the reporting date

The Executive Authority appointed an Interim Board in April 2018 and the then Acting CEO resigned in April and was replaced by another Acting CEO the same month. The then suspended CEO returned to the organisation at the end of June 2018.

1.7. Acknowledgements

I would like to thank the CEO, the Interim Board of Trustees and the Audit Committee, fellow executives and staff of the Finance Services Unit for their support in the preparation of this report



Ms Hannelie Kruger

Acting Chief Financial Officer

1. Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2018 as required by the Public Finance Management Act 1 of 1999 (as amended) and the Treasury Regulations.

The Committee adheres to terms of reference outlined in its Charter and reports that it has regulated its affairs in compliance with the Charter and has discharged all its responsibilities as contained therein.

Composition and Attendance

The Committee comprises of independent non-executive members with extensive experience to serve in it. A total number of eight (8) meetings were held during the year. The meetings and attendance of the members serving on the Committee are reflected on the table 24 below:

Table 24: Record of membership and meeting attendance

| Name | Period | 21/4/17 | 27/5/17 | 28/7/17 | 17/7/17 | 23/7/17 | 22/9/17 | 14/11/17 | 9/2/18 (Induction) | 28/2/18 |
|------------------------------|-------------------|---------|---------|---------|---------|---------|---------|----------|-----------------------|---------|
| Ms S Boulton | | | | | | | | | | |
| (Chairperson until 31/10/17) | 1/3/17 – 31/10/17 | P | P | P | P | P | P | N/A | N/A | N/A |
| Mr R Patel | 1/3/17 – 31/3/18 | P | P | P | P | P | P | N/A | N/A | N/A |
| Ms O Matloa | | | | | | | | | | |
| (Chairperson from 1/11/17) | 1/3/17 – 31/3/18 | P | P | P | P | P | P | P | P | P |
| Ms N Rakolote | 1/3/17 – 31/7/17 | A | P | A | N/A | N/A | N/A | N/A | N/A | N/A |
| Ms A Makhado | 1/3/17 – 11/12/17 | P | P | P | A | A | A | N/A | N/A | N/A |
| Mr Z Zitha | 1/11/17 – 31/3/18 | N/A | N/A | N/A | N/A | N/A | N/A | P | P | P |
| Mr T Motswaledi | 1/11/17 – 31/3/18 | N/A | N/A | N/A | N/A | N/A | N/A | P | P | P |
| Dr P Dala | 1/2/18 – 31/3/18 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | P | P |
| Mr M Burton | 1/2/18 – 31/3/18 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | P | P |

Audit Committee Responsibility

In executing key functions and discharging its responsibilities, the Committee during the period under review:

Assisted the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes applied within the entity.

Managed and supported communication between the Board, management, external and internal audit on matters that are the responsibility of the Committee;

Extended the contract of the Head of Internal Audit and terminated the Nkonki Inc contract as co-sourced internal auditors. A process is underway to appoint a new service provider to capacitate the Internal Audit function; and

Determined and monitored the budgets of the external and internal auditors as well as their terms of engagement.

Effectiveness of Internal Control

The Committee, having noted the issues raised in both internal and external audit reports, is extremely concerned by the lack of Internal Control. The Committee noted a number of matters being reported which indicated key weaknesses in the system of internal control and deviations therefrom.

Management has given assurance that effective corrective actions are being developed to address the entire control environment ensuring focus is not only to address the audit disclaimer matters. The committee notes some of the actions taken by management so far in addressing the identified deficiencies and deviations. However, there are serious concerns on the length of time taken to implement the required remedial action and the recurring findings highlighted.

Areas of concern reported to the Committee were:

- Misstatements in programme reserves and liabilities, programme assets, revenue and trade and other receivables which was the basis of the audit disclaimer;
- Out-dated policies and standard operating procedures;
- Inadequate record management processes;
- Risk management not being embedded into day-to-day activities;
- Non-compliance with SCM policies and procedures;
- Lack of effective and efficient programme / project and contract management;
- Inadequate occupational, health and safety measures;
- Inadequate compliance with the Corporate Governance of Information and Communication Technology Framework;
- High vacancy rate;
- Fruitless, wasteful and irregular expenditure;
- Lack of effective consequence management; and
- Lack of reliability of financial and performance information.

The Effectiveness of Internal Audit

The Internal Audit Charter, and a risk-based rolling three-year Strategic Internal Audit Plan and an Annual Operational Plan ensuring alignment with the entity's risks for the period under review were approved by the Committee.

The Committee also reviewed the activities and independence of the internal audit function throughout the year. There is continued improvement in the effectiveness of the function although the annual operational audit plan was not fully executed (84.6% completion). The remaining audits were

deferred to the next year as management was still in the process of implementing corrective measures. Adequately resourcing the internal audit function to ensure greater assurance coverage will be critical to ensure that the function is completely effective and ultimately adds value to the IDT.

As a result of the internal audit engagements listed below, the overall control environment limited to these engagements is considered inadequate and / or ineffective, thus requiring urgent intervention:

- Supply Chain Management;
- Programmes / Projects: Social Infrastructure and Social Development;
- Occupational Health and Safety; and
- Corporate Governance

Risk Management

A stand-alone Risk Committee was constituted following the Board's review of its committee structures and was delegated the oversight of enterprise risk management function by the Board. Pertinent information was shared between these committees to ensure that risk management is adequately addressed.

In Year Management of Quarterly Financial and Performance Information

The Committee noted the content of reports that have been prepared and issued during the year. Concerns raised with regard to the reliability of some of the information by internal and external audit have been discussed with management to ensure measures are put in place to address them. The quality of reports has improved although there are still some concerns with the lack of internal timely submission for review by the Committee.

Evaluation of Financial Statements

The Committee has reviewed the annual financial statements prepared by the entity for the period under review and received assurance from management and internal audit in terms of combined assurance. Focus was on:

- Review of the basis for the going concern assumption;
- Calculation and levels of general and specific provisions;
- Compliance with accounting standards and legal requirements;
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Significant financial reporting judgments and estimates contained in the annual financial statements;
- Quality and acceptability of, and any changes in, accounting policies and practices;
- Review of possible changes in accounting policies and practices;
- Review of performance information; and
- Review of significant adjustments and / or unadjusted differences resulting from the audit.

External Audit

The independence and objectivity of the external auditors was reviewed by the Committee. The Committee met with the external auditors to ensure there are no unresolved issues of concern and acknowledge their co-operation. The Committee has also reviewed the Auditors' Management and Audit reports; and concurs with their conclusions. The Committee therefore accepts the audit opinion and conclusion expressed.

The Committee would like to extend its appreciation to the Executive Management, Internal Audit and the Board of the entity for its continued efforts and support.



Dr Prittish Dala
Interim Chairperson: Audit Committee
September 2018
Pretoria



EPWP NSS Beneficiaries at Nkungumathe NPO in KwaZulu-Natal

Report of the Auditor- General

Report of the auditor-general to Parliament on the Independent Development Trust

Report on the financial statements

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Independent Development Trust set out on pages ... to ..., which comprise the statement of financial position as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Programme reserves & liabilities and programme assets

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for programme reserves & liabilities and programme receivables, due to the status of the accounting records and non-submission of information in support of these balances. I was unable to confirm these liabilities and assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to programme reserves & liabilities and programme assets stated at R1 980 670 000

(2017: R2 093 101 000) in note 29 to the financial statements.

Revenue and trade and other receivables

4. The Independent Development Trust did not recognise revenue due to it from project management fees as required by International Accounting Standard (IAS) 18: Revenue, as the systems and processes to identify and accurately record all programme expenditure incurred on behalf of client departments in the financial period to which they relate to, were inadequate. I was unable to determine the full extent of the misstatement as it was impracticable to do so. Programme expenditure forms the basis on which management fees is charged. Consequently, I was unable to determine whether any adjustment was necessary to revenue stated at R312 672 000 (2017: R218 961 000) and trade and other receivables stated at R123 739 000 (2017: R180 932 000) in notes five and 19 to the financial statements respectively.

Emphasis of matters

5. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

6. As disclosed in notes 25 and 29 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity at, and for the year ended 31 March 2018.

Significant uncertainties

7. With reference to note 15 to the financial statements, the public entity is a defendant in a number of lawsuits, predominantly due to outstanding payments to suppliers, payable by the client departments. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial

statements.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the Independent Development Trust'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 accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

10. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

11. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit of the financial statements. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2018:

| Programme | Pages in the annual performance report |
|---|--|
| Programme 1 – Integrated service delivery | Page 27 |

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

Programme 1 – Integrated service delivery

Various indicators

17. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of five of the nine indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

| Indicator description | Reported achievement |
|---|-------------------------|
| Value of programme spend | R4 313 113 000 |
| % value of weighted BBBEE spend | 67% [R2 805 607 407] |
| Value of programme spend on women | 20% [R862 622 600] |
| Value of programme spend on youth | 6% [R258 786 780] |
| Number of EPWP-NSS work opportunities created | 57 112 |

reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on page 29 to 41 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 17 of this report.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislations are as follows:

Annual Financial Statements

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R55 657 000 as disclosed in note 14 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations.

24. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R41 526 000 as disclosed in note 14 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

25. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Procurement and contract management

26. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

Contracts and quotations were in some instances awarded to

27. bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.

28. Construction contracts were in some instances awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year.

29. The bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

Consequence management

30. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

Other information

31. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

33. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

36. The financial year under review was characterised by ongoing instability in leadership at the Independent Development Trust. Furthermore, the entity was subject to an Organisational Development process which significantly depleted its human resource capacity. Notwithstanding these facts, leadership did not manage to effectively implement the action plan to address the matters that resulted in the prior year disclaimer of audit opinion.

37. Leadership exercised inadequate oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

Financial and performance management

38. Proper record keeping in a timely manner to ensure that complete, accurate and relevant information is readily accessible and available to support reported financial and performance information, was not effectively implemented.

39. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored by senior management.

Other reports

40. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

41. The former President of the Country has in terms of the Special Investigation Unit and Special Tribunal Act, 1996, authorised the Special Investigation Unit to investigate certain matters in respect of the procurement matters of the Department of Correctional Services (DCS) and the Independent Development Trust. This investigation was still in progress at the date of this auditor's report.

42. The Public Protector is in the process of investigating an allegation of possible fraudulent activity relating to the EPWP NSS Programme. The investigation was still in progress at the date of this auditor's report.

Auditor-General

6 September 2018

Pretoria



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Statement of Profit or Loss and Other Comprehensive Income

| | | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|---|---------|---------------------------|---------------------------------------|
| | Note(s) | | |
| Revenue | 5 | 312 672 | 218 961 |
| Investment income | 6 | 1 161 | 9 577 |
| Interest income | 7 | 3 116 | 903 |
| Other income | 8 | 5 902 | 14 833 |
| Other losses | 9 | (44 000) | (33 707) |
| Employment expense | 10 | (250 673) | (204 901) |
| Depreciation and amortisation expense | 16 | (4 518) | (3 333) |
| Administration expense | 10 | (115 763) | (135 472) |
| Finance expense | 11 | 32 | (1 589) |
| Fair value gains on investments | 12 | 62 | 413 |
| DEFICIT FOR THE YEAR | | (92 009) | (134 314) |
| TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR | | (92 009) | (134 314) |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Statement of Financial Position as at 31 March 2018

| | | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|---|---------|---------------------------|---------------------------------------|
| | Note(s) | | |
| ASSETS | | | |
| Non-current assets | | 34 102 | 37 815 |
| Property, plant and equipment | 16 | 30 102 | 29 318 |
| Intangible assets | 17 | 4 000 | 85 |
| Investments with financial institutions | 18 | - | 8 412 |
| Current assets | | 2 136 973 | 2 332 418 |
| Investments with financial institutions | 18 | - | 43 037 |
| Trade and other receivables | 19 | 123 739 | 180 932 |
| Funds due from programme principals | 20 | 14 115 | 12 565 |
| Programme assets | 29 | 1 980 670 | 2 093 101 |
| Cash and cash equivalents | 21 | 18 450 | 2 783 |
| TOTAL ASSETS | | 2 171 075 | 2 370 234 |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Statement of Financial Position as at 31 March 2018 (continued)

| | | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|--------------------------------------|---------|---------------------------|---------------------------------------|
| | Note(s) | | |
| EQUITY AND LIABILITIES | | | |
| MAIN FUND | | 120 854 | 212 863 |
| INITIAL FUNDING | | 2 025 000 | 2 025 000 |
| ACCUMULATED DEFICIT | | (1 904 146) | (1 812 137) |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Finance leases | 22 | 1 005 | 613 |
| Current liabilities | | 2 049 217 | 2 156 758 |
| Short term portion on finance leases | 22 | 1 303 | 738 |
| Programme reserves and liabilities | 29 | 1 980 670 | 2 093 101 |
| Trade and other payables | 23 | 56 032 | 52 935 |
| Provisions | 23.1 | 11 211 | 9 983 |
| TOTAL LIABILITIES | | 2 050 222 | 2 157 371 |
| TOTAL EQUITY AND LIABILITIES | | 2 171 075 | 2 370 234 |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Statement of Cash Flows

| | | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|---|---------|---------------------------|---------------------------------------|
| | Note(s) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 376 925 | 255 400 |
| Cash paid to suppliers and employees | | (408 779) | (388 867) |
| Cash generated (utilised) in operations | 26 | (31 853) | (133 467) |
| Investment income | 6 | 1 161 | 9 577 |
| Interest income | 7 | 3 116 | 904 |
| Finance expense | 11 | 32 | (1 589) |
| Net cash (outflows) / inflows from operating activities | | (27 544) | (124 575) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to: | | | |
| Property and equipment | 16 | (4 566) | (3 262) |
| Intangible assets | 17 | (4 692) | (97) |
| Proceeds on disposal of: | | | |
| Property and equipment | 16 | - | 11 |
| Investments: | | | |
| (Increase)/Decrease in investments with approved institutions | | 51 511 | 87 632 |
| Net cash inflows / (outflows) from/to investing activities | | 42 253 | 84 283 |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Statement of Cash Flows (continued)

| | | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|--|---------|---------------------------|---------------------------------------|
| | Note(s) | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| (Decrease)/Increase in Finance lease obligations | | 957 | (81) |
| Net cash inflows from financing activities | | <u>957</u> | <u>(81)</u> |
| Net increase/ (decrease) in cash and cash equivalents | | 15 666 | (40 373) |
| Cash and cash equivalents at the beginning of the year | | 2 783 | 43 157 |
| Cash and cash equivalents at end of the period | 21 | <u>18 450</u> | <u>2 783</u> |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Statement of Changes in Equity

| | INITIAL FUNDING | ACCUMULATED DEFICIT | MAIN FUND (Total) |
|--|--------------------|------------------------|----------------------|
| Note(s) | R'000 | R'000 | R'000 |
| Balance at 1 April 2016 | 2 025 000 | (1 677 824) | 347 176 |
| Prior year adjustments | | - | - |
| Restated balance as at 1 April 2016 | 2 025 000 | (1 677 824) | 347 176 |
| Total comprehensive deficit for the year | | (141 319) | (141 319) |
| Prior year adjustments | | 7 005 | 7 005 |
| Balance at 31 March 2017 | 2 025 000 | (1 812 137) | 212 863 |
| Total comprehensive deficit for the year | | (92 009) | (92 009) |
| Balance at 31 March 2018 | 2 025 000 | (1 904 146) | 120 854 |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Accounting Policies

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Independent Development Trust is a Trust domiciled in South Africa. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice as prescribed by the Accounting Standards Board. The financial statements have been drafted under the historical cost convention, except where specifically indicated otherwise in the accounting policies below, where certain items, such as certain financial assets and financial liabilities are measured at fair value through profit and loss.

The preparation of the financial statements in conformity with South African Statements of Generally Accepted Accounting Practice as prescribed by the Accounting Standards Board requires the use of estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates and judgements made.

The financial statements have been prepared on a going concern basis which assumes that the organisation will be able to meet its obligations as they become due. As at 31 March 2018, current assets exceeded current liabilities by R 87 756 million which indicates that the organisation is able to meet

its immediate obligations for the foreseeable future, excluding programme related balances.

During March 2012 it was announced that the South African Statements of Generally Accepted Accounting Practice will be withdrawn and will cease to apply in respect of financial years commencing on or after 01 December 2012. The Accounting Standards Board has issued Directive 12 on the selection of the appropriate framework by public entities. The Directive provides that public entities have until 1 April 2018 to apply either International Financial Reporting Standards (IFRS) or Standards of Generally Recognised Accounting Practice (GRAP). IDT has therefore prepared its financial statements in accordance with South African Statements of Generally Accepted Accounting Practice for the year ended 31 March 2018.

UNDERLYING CONCEPTS

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively. However, if it is impracticable to apply the change retrospectively, the change is applied prospectively. Except as otherwise disclosed, these accounting policies are consistent with those applied in previous years.

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Accounting Policies

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

The preparation of financial statements in conformity with South African Statements of Generally Accepted Accounting Practice as prescribed by the Accounting Standards Board

requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. For the areas where assumptions and estimates are significant further disclosure is made in the notes to the financial statements. These changes in accounting estimates are adjustments to assets or liabilities or the amounts of periodic consumption of assets that result from new information or new developments. Such changes are recognised through profit or loss in the period they occur.

Prior period errors, omissions or misstatements in the financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when the financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained. Such prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively. Retrospective restatement is correcting the recognition, measurement and disclosure of amounts as if a prior period error had never occurred.

Accounting policies are not applied when the effect of applying them is immaterial, i.e. if individually or collectively they would not influence the economic decisions of the users of the financial statements.

The financial statements, including the notes, have been rounded off to the nearest thousand Rand except where stated otherwise in the body of the notes.

1.2 MEASUREMENT CURRENCY

The financial statements are presented in South African Rands, which is the presentation currency of the IDT.

TRANSACTIONS AND BALANCES

Transactions in currencies other than the IDT's measurement currency are recognised at the exchange rate ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the exchange rate ruling at the reporting date.

1.3 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially recognised at historical cost and subsequently measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the assets carrying amount, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the IDT and the cost of the item can be measured reliably.

When plant and equipment comprise significant components in relation to the specific asset with different useful lives, these components are depreciated separately over their estimated useful lives.

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Annual Financial Statements for the period ended 31 March 2018

Accounting Policies

1.3 PROPERTY, PLANT AND EQUIPMENT (continued)

Owner-occupied property represents property held for administrative purposes. The owner-occupied property is carried at cost less accumulated depreciation and any impairment losses where the residual value of the asset is estimated to be lower than its carrying amount. Currently the residual value of the owner occupied property has increased to a value greater than its carrying amount.

Depreciation of an asset begins when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of, the date the asset is classified as held for sale or impaired and the date that the asset is derecognised. Depreciation is calculated on the straight line method to write off the cost of each asset to its residual values over its estimated useful life. The depreciation rates applicable to each category of property and equipment are shown in note 16 of the annual financial statements. Land is not depreciated.

The depreciation period applicable to each category of property and equipment are as follows:

| | |
|---------------------------|--------------|
| - Canteen equipment | 10 years |
| - Computer equipment | 5 - 10 years |
| - Furniture and fittings | 10-15 years |
| - Motor Vehicles | 8 years |
| - Office Equipment | 3 - 10 years |
| - Owner occupied building | 50 years |

| | |
|---------------------------|--------------|
| - Mechanical equipment | 20- 25 years |
| - Leased office equipment | 3 - 5 years |

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if need be and any changes are applied prospectively.

Property and equipment are tested for impairment whenever there is an indication that the asset may be impaired in accordance with the requirements of IAS 36 - Impairment of Assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the Statement of Profit or Loss and Other Comprehensive Income.

Assets, which are subject to financial lease agreements, are capitalised at the lowest of the net present value of future lease payments or fair value and the corresponding liabilities are recognised. Finance lease charges are included in interest expenditure on the effective interest basis according to IAS 17.

1.4 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Intangible assets are initially recognised at historical cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Accounting Policies

1.4 INTANGIBLE ASSETS (continued)

Amortisation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is impaired and the asset is derecognised. Assets are amortised over their useful lives to their residual values using the straight line basis. The useful lives of the assets are reviewed at each reporting date. Intangible assets are tested for impairment if there is an indication that they may be impaired. Amortisation for the year is included in the Statement of Profit or Loss and Other Comprehensive Income. IDT management assumes the residual values of intangible assets to be zero.

1.5 IMPAIRMENT OF ASSETS

An impairment loss is the amount by which the carrying amount of an asset (i.e. the amount recognised on the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses), exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset.

At each reporting date the carrying amount of property, equipment and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. In assessing

value in use the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and risks specific to the asset for which the cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate the remaining carrying amount over its remaining useful life.

If an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

All references to assets applies equally to cash generating units.

1.6 LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases are measured in accordance to IAS 17.

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Accounting Policies

1.6 LEASES (continued)

OPERATING LEASES

Leases of assets where a significant portion of the risks and benefits of ownership of the asset are effectively retained by the lessor are classified as operating leases. Operating lease costs are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease.

FINANCE LEASES

Leases that transfer substantially all the risk and rewards of ownership of the underlying asset to the lessee are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. The capital element of future obligations under the leases is included as a liability in the Statement of Financial Position. Lease payments are allocated using the effective interest rate method to determine the finance lease expense, which is charged to the Statement of Profit or Loss and Other Comprehensive Income, and the capital repayment, which reduces the liability to the lessor.

1.7 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position are cash and cash equivalents, investments with financial institutions, trade and other receivables, trade and other payables and borrowings.

Financial assets are recognised when the IDT has rights or access to economic benefits. Such assets consist of cash or a contractual right to receive financial assets. Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss (FVTPL), and loans and receivables.

Loans and receivables are classified as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months from the reporting date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income by applying the effective interest rate on the balance. Short-term receivables with no stated interest rate are not discounted where the effect would be immaterial. Loans and receivables comprise trade and other financial receivables, cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of financial assets and allocating interest income over the life of the financial asset. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets.

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Accounting Policies

1.7 FINANCIAL INSTRUMENTS

Financial assets at FVTPL are initially and subsequently stated at fair value, with any gains or losses arising on remeasurement recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment will not be fully recovered.

Categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of receivables could include past experience of recovering amounts due, an increase in the number of delayed payments past the average collection period, as well as observable changes in national or local economic conditions that correlate with default receivables.

Financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate. The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where an allowance account is used. When a trade receivable is considered unrecoverable, it is written off through the Statement of Profit or Loss and Other Comprehensive Income to other expenses.

Subsequent recoveries of amounts previously written off are credited against other income.

Financial liabilities are recognised when there is an obligation to transfer economic benefits and that obligation is a contractual obligation to deliver cash or another financial assets or to exchange financial instruments with another entity on potentially unfavourable terms.

Financial liabilities include trade and other payables and borrowings. These financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, with interest expense recognised using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the contract period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

The recognition and measurement criteria for each of these financial instruments are separately disclosed under their respective accounting policies. The face values of financial assets and liabilities with a maturity of less than one year approximate their fair values.

A financial instrument, being a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, is recognised when the IDT becomes a party to the contractual provisions of the instrument.

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Accounting Policies

1.7 FINANCIAL INSTRUMENTS (continued)

TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the IDT might not be able to collect all amounts due according to the original terms of the receivables. The amount of the loss is the difference between the carrying amount and the recoverable amount of the asset, being the present value of the estimated future cash flows, discounted at the original effective interest rate. This loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Subsequent recoveries of amounts previously written off are credited to expenses in the Statement of Profit or Loss and Other Comprehensive Income.

A significant degree of judgement is applied by management when considering whether a debtor is recoverable or not. The following factors are taken into account when considering whether a debtor is impaired:

- 1) History of the specific client department with the IDT;
- 2) Indications of financial difficulties or funds committed to other commitments by the client department;
- 3) General economic conditions and the ability of the client department to obtain Government funding based on their MTEF submissions to National Treasury.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

FINANCIAL RISK MANAGEMENT AND RISK FACTORS

The IDT is exposed to a variety of financial risks, which include market risk (currency risk, fair value risk, interest rate risk), credit risk and liquidity risk. The management of these risks is disclosed under note 4 to the financial statements.

1.8 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the IDT has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expected future outflows of economic benefits required to settle the obligation.

1.9 INVESTMENT INCOME

Investment revenue comprises of returns earned on amounts invested with financial institutions. Interest is recognised as revenue on the effective interest method.

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Accounting Policies

1.10 REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised only when the amount can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

1.10.1 Management Fees

Service revenue is recognised based on the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed. Management fees are charged as a percentage based on value of work completed (programme expenditure incurred) as at reporting date.

1.10.2 Grant received

Government grants are recognised in the Statement of Financial Position initially as deferred income when there is reasonable assurance that IDT will comply with the conditions attached and the grant will be received. Grants that compensate the organisation for expenses incurred are recognised as revenue in the Statement of Profit or Loss and Other Comprehensive Income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the organisation for the cost of an asset are recognised in as revenue on a systematic basis over the useful life of the asset.

1.11 INTEREST INCOME

Interest income is recognised in the profit or loss using the effective interest method when it is probable that the economic

benefits will flow to the IDT and the amount of revenue can be measured reliably. Interest revenue is the unwinding of the discounting of loans and receivables.

1.12 MAIN FUND

The Main Fund is the residual interest in the assets after deducting all liabilities.

1.13 FINANCE EXPENSE

Finance expense includes paid interest and other expenditure incurred in connection with the borrowing of funds. Finance expenses directly attributable to the acquisition or production of qualifying assets are included to the base cost of those assets. Finance expense not incurred on qualifying assets are expensed in the period in which they are incurred. Finance expenses comprise of interest on obligations under finance leases, and interest incurred on financial liabilities. Finance expense are recognised on a time-proportion basis using the effective interest method.

1.14 EVENTS AFTER REPORTING DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Material events after the Statement of Financial Position date that are indicative of conditions that arose after the reporting date are dealt with by way of a note where applicable.

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1.15 RELATED PARTY DISCLOSURES

Parties are considered to be related to the IDT if either one party directly or indirectly has the ability to control or jointly control or exercise significant influence over the other party in making financial and operational decisions or is a member of the key management of the IDT.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. It is recognised as an asset until such time as the expenditure is recovered, based on the probability of it being recovered, or written off as irrecoverable in the Statement of Profit or Loss and Other Comprehensive Income.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation. It is disclosed in the notes to the annual financial statements.

1.18 EMPLOYEE BENEFIT EXPENSE

Employee benefit costs include all forms of consideration given in exchange for services rendered by employees. The cost of providing employee benefits is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which the related services are rendered by employees. The expected cost of bonus payments is recognised as an expense

when there is a legal or constructive obligation to make such payments. Contributions to defined contribution plans are expensed as they accrue. IDT does not have a defined benefit plan for employees.

Expenses for wages and salaries and annual leave expected to be settled within twelve months of the reporting date, are recognised as liabilities as the employees render services.

Termination benefits are payable whenever an employee's employment is terminated before normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The IDT recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

1.19 CONTINGENT LIABILITIES

A contingent liability 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 wholly within the control of the IDT; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities in the Statement of Financial Position.

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Accounting Policies

1.20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost. In the Statement of Financial Position, cash and cash equivalents comprise cash-on-hand and deposits held on call with banks. In the Statement of Cash Flow, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts which form part of IDT's cash management.

1.21 CONSTRUCTION CONTRACT

IAS 11 scope states "The standard shall be applied in accounting for construction contracts in the financial statements of contractors. The IDT as an implementing agent acting on behalf of the principal, has a role to facilitate the delivery of infrastructure programme by offering programme management services and development advisory services. The IDT do not recognise revenue from performing construction work and it is therefore concluded that IAS 11: Construction Contracts is not applicable to the IDT. Construction related terminology used in note 29 is solely for clarification purposes.

1.22 PROJECT ACCOUNTING

A programme asset is recognised in the financial statement as at year end and an equal programme liability is also recognised as these funds belong to client department and the IDT has an obligation to return Funds including interest at project completion or pay contractors for work done. Project accrual expenditure is recognised based on the date valuation on the progress certificate.

1.23 FUNDS DUE TO/FROM PROGRAMME PRINCIPALS

When, in the processing of transactions relating to the delivery of programmes that relates to programme salary recoveries, the IDT utilises its own funds prior to the reimbursement from the dedicated programme funds, such timing difference will result in a claim against the programme principals by the IDT. When programme funds are spent before due date, this will result in funds being due to the programme principals.

1.24 COMPARATIVE FIGURES

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements. Comparative figures are restated in the event of a change in accounting policy or material prior period error.

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Notes to the Annual Financial Statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the IDT's accounting policies, which are described in note 1 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates will, by definition, rarely equal the actual results achieved. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities are discussed below. Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates and assumptions do however affect the reported amounts of assets and liabilities at the reporting date, as well as the reported income and expenditure recorded in the Statement of Profit or Loss and Other Comprehensive Income. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical assumptions and judgements in applying accounting policies

The following are the key assumptions and judgements concerning the future, that have a significant risk of causing

adjustments to the carrying amounts of assets and liabilities within the next financial year.

2.1 Useful life and residual value of property, equipment and intangible assets

The IDT depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performances as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual useful lives of these assets can vary depending on a variety of factors, including technological innovation and repairs and maintenance. When determining the residual value for property and equipment the following factors are taken into account –

- 1) External residual value undertaken by an independent sworn appraiser for the building;
- 2) An Internal review of the condition of equipment being used

During the review, management determined that the useful lives of certain equipment should be lengthened, due to the condition and the continuous use of certain of the assets. The financial effect of this assessment, assuming the assets are held until the end of their revised estimated useful lives, is to reduce the depreciation expense in the current financial year. The annual depreciation charge will be adjusted for any changes in these estimates (refer to note 16). These estimates are based on management's experience, knowledge and current expectations.

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2.2 Average discount rate used on financial assets and liabilities

In accordance with IAS 39- Financial Instruments: recognition and measurement, financial assets and liabilities are discounted to present value using the average yield on the investment portfolio of the IDT. The IDT bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The IDT has consistently used the average yield on the investment portfolio for the last five financial years in discounting financial assets and liabilities.

2.3 Impairment of assets

Property, plant and equipment and intangible assets are assessed for impairment at least annually, as more fully

described in the accounting policy in respect of impairment and notes 9 and 16. The market conditions and the expected lives of each of these assets are discussed in more detail in the notes to the annual financial statements.

2.4 Fair value determination

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value when the impact of discounting is not material.

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3. CATEGORIES OF FINANCIAL INSTRUMENTS

The accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expense) for each class of financial asset and financial liability are disclosed in the accounting policies above.

| Classification | | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|---|---|---------------------------|---------------------------------------|
| Financial Assets | | | |
| Investments with financial Institutions - Non Current | Fair value through profit and loss | - | 8,412 |
| Investments with financial Institutions - Current | Fair value through profit and loss | - | 43,037 |
| Trade and other receivables | Loans and receivable at amortised cost | 123,739 | 180,933 |
| Funds due from programme principals | Loans and receivable at amortised cost | 14,115 | 12,565 |
| Cash and cash equivalents | Financial assets at fair value through profit and loss. | 18,450 | 2,783 |
| Financial Liabilities | | | |
| Long term portion of finance leases | Financial liabilities at amortised cost | 1,005 | 613 |
| Short term portion finance leases | Financial liabilities at amortised cost | 1,303 | 738 |
| Trade and other payables | Financial liabilities at amortised cost | 56,032 | 52,935 |

The carrying amounts reflected above represents the IDT's maximum exposure to credit risk for loans and receivables

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Notes to the Annual Financial Statements

4. MANAGEMENT OF RISK

4.1 General

The IDT is exposed to the following risks: market, interest rate, credit and investment risk. The Board of Trustees is responsible for strategic risk-management within the IDT and has tasked the Audit and Risk Committees to ensure effective risk-management. The purpose of the IDT risk-management strategy is to identify the risks and ensure that the overall risk profile remains at acceptable levels. The risk-management strategy provides reasonable, but not absolute, assurance that risks are being adequately managed.

The IDT risk policy sets out the minimum standards of risk-management to be adopted and adhered to by all units within the IDT. The risk policy is established to identify and analyse the risks faced by the IDT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and IDT activities. The risk-management strategy, which has been reviewed and updated in the current year, contains processes for identifying both the impact and likelihood of such risk occurring.

4.2 Managements responsibilities

Management is responsible for the identification, assessment and control of all key risks facing the IDT, functions and processes under their control. In addition, management is required to manage all risks under their control that contribute

to the IDT's risk profile. A documented formal policy framework has been put in place in order to achieve the following:

- Place accountability on Management for designing, implementing and monitoring the process of risk management
- Place responsibility on Management for integrating the risk management process into the day to day activities and operations of the IDT
- Ensure that the risk strategy is communicated to all stakeholders.

To assist the IDT's Risk Committee in discharging its responsibilities, it has

- assigned risk management responsibilities to certain members of the Risk Committee: and
- appointed a Risk Champion to develop, communicate, coordinate and monitor risk.

Risk department is required to monitor the status of risk within the IDT and to report on any material changes to the risk profile and any losses incurred as a result thereof. Management is expected to put in place appropriate controls for these risks and provide assurance that such controls perform as intended.

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4.3 Financial risk profile

Risk management relating to each of the financial risks are discussed under the headings below. The financial risk the IDT primarily faces are market risk (interest rate risk), investment risk and credit risk.

4.3.1 Market risk management

The IDT's activities expose it primarily to the financial risks of changes in interest rates. There has been no change to the IDT exposure to market risk or the manner in which it manages and measures the risk.

4.3.2 Interest rate risk management

Interest rate risk arises primarily from IDT's investment strategy to ensure capital preservation in line with IDT's investment policy. As a result of this exposure to interest rate risk, Fund Managers manage the investments according to their investment mandate (refer to sensitivity analysis below). Performances of each Fund Manager is reviewed on a monthly basis by an outside independent expert. The nature of IDT's exposure to interest rate risk and its objectives, policies and procedures for managing interest rate risk have not changed significantly from the prior period.

| | 31 March 2018 | 31 March 2017 |
|---|------------------|------------------|
| Fund Managers returns for the year | % | % |
| Momentum Asset Management (formerly RMB) | | |
| Returns for the year | | 8,74 |
| Fund benchmark | | 6,26 |
| Sensitivity analysis | | 7,80 |

During 2018 financial year the investment account was closed with the financial institution.

In managing interest rate risk, the Investment Committee of the IDT reviews the investment strategy on a regular basis to ensure that the highest returns are achieved within the mandate which is risk adverse. The funds will only be invested with reputable financial institutions.

Independent Development Trust

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4.3 Financial risk profile (continued)

4.3.3 Investment risk management

IDT funds are invested in money market financial instruments and in government, parastatal and corporate bonds as defined in the investment strategy which, due to their liquid nature, allows immediate access to these funds. Money market instruments are invested in institutions which have at least an A+ rating to ensure capital preservation in line with the IDT's investment strategy. It's not the intention of the IDT to hold the bonds to maturity but to allow for flexibility in order to maximize yield. An independent expert monitors the performance of the Fund Managers to ensure that the returns are achieved within the parameters of the IDT cash requirements (refer above to Fund Managers returns on investments).

4.3.4 Credit risk management

Credit risk is the risk of financial loss to the IDT if a customer or counterparty defaults on its contractual obligations to the IDT. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. The carrying value for trade and other receivables, net of impairment amount to R 140.2 million (2017: R 158.1 million). The IDT only transacts with various Government Institutions who have no independent rating. The IDT does not have any significant credit risk exposure to any single counterparty having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Government departments have no independent rating, however based on historical experience and other factors none of the amounts due to the IDT are impaired.

| | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|--|---------------------------|---------------------------------------|
| IDT's key areas of exposure to credit risk in the current financial year include: | | |
| Funds due from programme principals | 14 115 | 12 565 |
| Amounts due from SARS in respect of VAT; and | 604 | 19 174 |
| Cash and cash equivalents held with financial institutions. | 18 450 | 2 783 |

The nature of IDT's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

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Exposure to credit risk

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|--|---------------------------|---------------------------|
| Cash and cash equivalents | 18 450 | 2 783 |
| Investments held with financial institutions | - | 51 449 |
| Trade and other receivables | 123 739 | 180 933 |
| Funds due from programme principals | 14 115 | 12 565 |

Cash and cash equivalents held with reputable financial institutions are used for investing and cash handling purposes.

The carrying values of the above financial assets are net of any impairment and approximate their fair value.

None of the amounts disclosed above have been pledged as security or collateral for liabilities or contingent liabilities nor have any amounts been renegotiated or have been defaulted on.

4.4 INVESTMENTS WITH APPROVED INSTITUTIONS

Money Market and Bonds with a maturity date of less than 1 year

Bonds with a maturity date of:

1-3 years

3-7 years

7-12 years

12 + years

| % | Carrying amount | Carrying amount |
|-------|--------------------|--------------------|
| | - | 43 435 |
| | - | 4 923 |
| | - | 3 091 |
| | - | - |
| | - | - |
| 100,0 | - | 51 449 |

Funds are invested in money market financial instruments and in government, parastatal and corporate bonds issued by local reputable financial institutions. Whilst the bonds have a maturity period in excess of 1 year, they are all highly liquid instruments.

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4.5 AGEING OF FINANCIAL ASSETS

4.5.1 Trade receivables

| | % | Carrying amount | Carrying amount |
|-----------------|-------|-----------------|-----------------|
| Current | 19% | 21 877 | 45 620 |
| 30-60 Days | 12% | 14 275 | 19 074 |
| 60-90 Days | 6% | 7 118 | 30 353 |
| Greater 90 days | 63% | 73 037 | 52 832 |
| | 100,0 | 116 307 | 147 879 |

The amounts above represent management fees due from programme principals. IDT does not have collateral or other credit enhancements for its credit risk exposure from financial assets during the current or prior year. The carrying amount approximates fair value after impairment considerations

4.5.2 Funds (recoverable from)/ due to programs

| | % | Carrying amount | Carrying amount |
|---------|-------|-----------------|-----------------|
| Current | 100,0 | 14 115 | 12 565 |
| | 100,0 | 14 115 | 12 565 |

IDT does not have collateral or other credit enhancements for its credit risk exposure from financial assets during the current year or prior year. Amounts due from programme principals are spread across various departments. Based on expectations at the end of the reporting period, the IDT considers it highly likely that the amounts will be recoverable.

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4.6 TRADE PAYABLES

The maximum exposure to liquidity risk:

The fair value of borrowings, together with the carrying amounts shown in the Statement of Financial Position is as follows:

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|----------------------|------------------------------------|------------------------------------|
| Current | 100% 18 467 | 12 155 |
| 30-60 Days | - 12 | - |
| 60-90 Days | - 2 | - |
| Greater than 90 days | - - | - |
| | 100% 18 481 | 12 155 |

IDT has significant exposure on finance leases where the increase in interest rates could impact the amount owed. The carrying amount approximates fair value because of the short period of settlement.

4.7 DETERMINATION OF FAIR VALUES

Except as detailed in the table under note 3 above, management consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair value when the impact of discounting is not material. The valuation techniques and assumptions applied for the purposes of measuring fair value are determined as follows:

Property, equipment and Intangible assets

The fair value of property is based on market valuation. The market value of the IDT property was determined based on an independent valuation, which conforms to the valuation standards based on the income capitalisation method of valuation.

Investments

The carrying value of investments with financial institutions are carried at fair value.

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4.7 DETERMINATION OF FAIR VALUES (continued)

Trade and other receivables and payables

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash outflows and inflows at the average yield on the investment portfolio.

Borrowings

For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. REVENUE

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|---------------------------|---------------------------|
| Grants received | 111 066 | - |
| Management fees- Non State Sector (NSS) programme | 25 156 | 11 884 |
| Management fees - Infrastructure programmes | 176 450 | 207 077 |
| | 312 672 | 218 961 |

The IDT has entered into contractual agreements with various client departments wherein it acts on behalf and for the benefit of the client departments in delivering programmes committed in their various votes. The National Treasury Instruction Note 04 of 2014/15 provides guidelines for the recovery of management fees for infrastructure programmes, based on a sliding scale, depending on the programme value. The management fee percentage ranges from 2.63% to 10%.

Conditional grant funding was received from the shareholder department (Public Works) of R111 million as at 31 March 2018. All conditions for the grant were met.

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6. INVESTMENT INCOME

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|--------------|------------------------------------|------------------------------------|
| Money market | 831 | 8 433 |
| Bond market | 330 | 1 144 |
| | 1 161 | 9 577 |

The amounts represent gains derived on financial assets invested with financial institutions held at fair value through profit and loss. Fees charged by Fund Managers to administer the funds on behalf of the IDT amount to R23 thousand (2017: R207 thousand) included under administrative expenditure in note 10.

7. INTEREST INCOME

| | | |
|---|--------------|------------|
| Interest revenue | 3 118 | 984 |
| Interest (calculated using the effective interest method) on financial liabilities not held at fair value and adjusted through the Statement of Comprehensive Income. | (2) | (81) |
| | 3 116 | 903 |

The amounts represent actual gains derived on financial assets held with financial institutions at fair value through profit and loss.

8. OTHER INCOME

| | | |
|---|--------------|---------------|
| Sale of tender documents to tenderers | 1 382 | 4 942 |
| Salary recoveries- received from DPW for secondment | 1 763 | - |
| Miscellaneous Income | 2 757 | 9 891 |
| | 5 902 | 14 833 |

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9. OTHER LOSSES

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|------------------------------------|------------------------------------|
| Loss on disposal of assets | (41) | (408) |
| Trade receivables discounting | 833 | (228) |
| Provision for doubtful debts/credit notes | (44 792) | (33 070) |
| | (44 000) | (33 707) |

Other losses balance is inclusive of loss on disposal of property, plant and equipment, provision for doubtful debts and a change in the debtors' balance present value discounting of our trade receivables balance as at 31 March 2018. An increase in trade receivables discounting was realised as a result of a decrease in debtors balance of R116.3 million (2017: R141.3) and a decrease in interest rate from 10.25% to 10% as at 31 March 2018.

10. EXPENSES FOR THE YEAR

Deficit for the year has been arrived at after taking into account the following:

DEPRECIATION AND AMORTISATION EXPENSE

| | | |
|-----------------------------------|--------------|--------------|
| Depreciation on equipment | | |
| - Computer equipment | 1 574 | 1 459 |
| - Canteen | 22 | 24 |
| - Furniture and fittings | 846 | 889 |
| - Leased equipment | 1 014 | 607 |
| - Office equipment | 987 | 1 032 |
| - Mechanical equipment | 15 | 15 |
| - Motor vehicles | 68 | 70 |
| Amortisation of computer software | 778 | 84 |
| Change in estimate | (785) | (847) |
| | 4 518 | 3 333 |

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10. EXPENSES FOR THE YEAR (continued)

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|------------------------------------|------------------------------------|
| EMPLOYMENT EXPENSE | | |
| Salaries and wages | 211 857 | 166 251 |
| - Remuneration | 201 006 | 183 994 |
| - Retrenchment costs | 10 851 | - |
| - Performance awards | - | (17 743) |
| Third party contributions | 38 816 | 38 650 |
| - Medical | 9 963 | 10 043 |
| - UIF | 1 247 | 1 237 |
| - Official unions and associations | 100 | 105 |
| - Retirement benefits - defined contribution plan | 27 506 | 27 265 |
| Total employment expense | 250 673 | 204 901 |

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10. EXPENSES FOR THE YEAR (continued)

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|--|------------------------------------|------------------------------------|
| ADMINISTRATION EXPENSES | | |
| Catering, meals and entertainment | 523 | 1 240 |
| Consultancy fees | 10 266 | 16 682 |
| Bad debt written off | - | 19 166 |
| Development initiatives | 38 | 409 |
| External audit fees | 6 711 | 7 004 |
| Fund management fee | 23 | 207 |
| Insurance | 1 223 | 1 065 |
| Internal audit | 4 815 | 2 162 |
| IT expenses | 8 303 | 7 357 |
| Leasehold improvements | 74 | 62 |
| Legal fees | 12 577 | 11 497 |
| Maintenance and repairs | 2 109 | 1 318 |
| Media communications | 2 352 | 2 277 |
| Stipends | 2 091 | 2 154 |
| Other | 8 821 | 8 286 |
| Printing and stationery | 2 940 | 3 849 |
| Rentals in respect of operating leases | 14 077 | 13 222 |
| Restructuring Costs | 3 996 | |
| Staff Training | 2 659 | 2 945 |
| Telephone | 6 495 | 6 808 |
| Travel and accommodation | 15 553 | 17 632 |
| Trustees remuneration | 3 608 | 2 631 |
| Water, rates and electricity | 5 199 | 4 521 |
| Workshop, conferences and seminars | 1 311 | 2 978 |
| | 115 763 | 135 472 |

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11. FINANCE EXPENSES

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|------------------------------------|------------------------------------|
| Interest on obligations under finance lease | (143) | 264 |
| Interest Paid | 111 | 1 325 |
| | (32) | 1 589 |

12. FAIR VALUE GAINS / (LOSSES) ON INVESTMENTS

| | | |
|---|-----------|------------|
| Unrealised profits/(losses) on money market | - | (41) |
| Unrealised profits/(losses) on bonds | 52 | 507 |
| Realised profits (losses) on money market | 2 | (12) |
| Realised profits/ (losses) on bonds | 8 | (41) |
| | 62 | 413 |

These are realised and unrealised profit and losses recognised on investments invested in the bond and money markets and include fair value adjustments incurred in the relevant assets. The fair value gains/ (losses) have been recognised in line with the reporting of the fund managers.

13. TAXATION

No provision is made for taxation as the IDT was exempted from income tax in terms of section 10(1) (cN) of the Income Tax Act, 1962, as amended. The IDT has been approved as a Public Benefit Organization in terms of section 30 of the Act.

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14. FRUITLESS AND WASTEFUL EXPENDITURE AND IRREGULAR EXPENDITURE

14.1 Fruitless and wasteful expenditure

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|----------------------------|---------------------------|---------------------------|
| Opening balance | 3 980 | 5 144 |
| Incurred- Current year | 121 | 1 519 |
| Incurred- Prior year | 41 405 | - |
| Written off- Current year | - | (1 519) |
| Transferred to receivables | - | (1 164) |
| | 45 506 | 3 980 |

Interest incurred of R70 thousand relates to Telkom, R41 thousand relates to interest on property management and R10 thousand relates to cancellation of wellness programme.

Amounts reflected as incurred in prior year relate to the outcome of forensic investigations performed by National Treasury during 2016. The amounts relate to deviations from procurement policy and regulations as well as non-adherence to Human Resource policies.

14.2 Irregular Expenditure

| | | |
|--|---------------|--------------|
| Opening Balance | 4 944 | 17 283 |
| Deviation from procurement processes during the year | 5 766 | 4 944 |
| Deviation from procurement processes prior year | 49 891 | - |
| | 60 601 | 22 227 |
| Condoned during the year | - | (17 283) |
| | 60 601 | 4 944 |

Irregular expenditure was incurred as a result of non-compliance to legislation and the IDT supply chain management policy.

Amounts reflected as incurred in prior year relate to the outcome of forensic investigations performed by National Treasury during 2016. The amounts relate to deviations from procurement policy and regulations. Some amounts disclosed meets the criteria of both irregular, fruitless and wasteful expenditure and have been disclosed accordingly.

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15. CONTINGENT LIABILITIES

| Programme related cases | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|------------------------------------|------------------------------------|
| A IDT is a defendant in a legal action where a third party has instituted summons against the IDT for non-payment due to client department's not transferring funds to IDT. | 48 254 | 45 132 |
| B IDT is a defendant in a legal action where poor prospect of defending resulting from variety of claims not dependent on client transfer of funds to the IDT. Many of the cases are impacted by disputes of the final account. | 27 564 | 18 632 |
| C IDT is a defendant in a legal action where Msunduzi Municipality is suing IDT for the poor performance for projects, contract was terminated in 2014 and incomplete projects were ceded back to the Municipality. | 34 115 | - |
| D IDT is a defendant in a legal action on a number of cases due to a variety of reasons where prospects of successful is 50/50. | 4 506 | 7 078 |
| Overheads related cases | | |
| E IDT is a defendant in a legal action where former employees were appointed by the IDT in respect of the departmental programmes as well as other operational cases. | 2 411 | 2 345 |
| | 116 850 | 73 188 |

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16. PROPERTY, PLANT AND EQUIPMENT

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|----------------------------|------------------------------------|------------------------------------|
| Cost | 56 842 | 54 461 |
| Prior year's adjustments | - | (31) |
| Disposals | 234 | (2 726) |
| Change in estimate | 785 | 848 |
| Accumulated depreciation | (27 758) | (23 233) |
| Net carrying amount | 30 103 | 29 318 |
| Canteen equipment | 52 | 72 |
| Furniture and fittings | 2 411 | 2 808 |
| Computer equipment | 4 640 | 4 007 |
| Office equipment | 1 818 | 2 663 |
| Leased Office equipment | 2 700 | 1 230 |
| Mechanical Equipment | 137 | 152 |
| Motor Vehicles | 13 | 52 |
| Land | 4 000 | 4 000 |
| Owner occupied building | 14 333 | 14 333 |
| Net carrying amount | 30 102 | 29 318 |

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16.1

| | Canteen Equip-ment | Furni-ture and Fittings | Com-puter Equip-ment | Office Equip-ment | Leased Office Equip-ment | Me-chanical Equip-ment | Motor Vehicles | Land | Owner Occu-pied Building | Totals |
|--|---------------------------|--------------------------------|-----------------------------|--------------------------|---------------------------------|-------------------------------|-----------------------|--------------|---------------------------------|---------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Cost | | | | | | | | | | |
| Balance at 1 April 2016 | 251 | 9 307 | 7 870 | 10 401 | 2 840 | 364 | 613 | 4 000 | 16 400 | 52 046 |
| Additions | - | 464 | 2 025 | 178 | 612 | - | - | - | - | 3 279 |
| Disposals | (18) | (344) | (1 389) | (695) | (297) | - | - | - | - | (2 743) |
| Balance at 31 March 2017 | 233 | 9 427 | 8 506 | 9 884 | 3 155 | 364 | 613 | 4 000 | 16 400 | 52 582 |
| Prior year adjustments | - | - | (31) | - | - | - | - | - | - | (31) |
| Additions | - | 166 | 1 797 | 119 | 2 484 | - | - | - | - | 4 566 |
| Disposals | (2) | (77) | (78) | (116) | - | - | - | - | - | (275) |
| Balance at 31 March 2018 | 231 | 9 516 | 10 194 | 9 887 | 5 639 | 364 | 613 | 4 000 | 16 400 | 56 842 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| Balance as at 1 April 2016 | 152 | 6 336 | 4 782 | 6 769 | 1 492 | 198 | 499 | - | 2 067 | 22 295 |
| Depreciation | 24 | 889 | 1 459 | 1 033 | 607 | 14 | 69 | - | - | 4 095 |
| Disposals | (13) | (312) | (1 225) | (553) | (204) | - | - | - | - | (2 307) |
| Prior year's adjustments | - | - | - | - | - | - | - | - | - | - |
| Change in estimate | (2) | (294) | (548) | (28) | 30 | - | (8) | - | - | (850) |
| Balance at 31 March 2017 | 161 | 6 619 | 4 468 | 7 221 | 1 925 | 212 | 560 | - | 2 067 | 23 233 |

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16.1

| | Canteen Equip-ment | Furni-ture and Fittings | Com-puter Equip-ment | Office Equip-ment | Leased Office Equip-ment | Me-chanical Equip-ment | Motor Vehicles | Land | Owner Occu-pied Building | Totals |
|---------------------------------|--------------------|-------------------------|----------------------|-------------------|--------------------------|------------------------|----------------|----------|--------------------------|---------------|
| Depreciation | 22 | 846 | 1 574 | 987 | 1 014 | 15 | 68 | - | - | 4 525 |
| Disposals | (2) | (70) | (73) | (89) | - | - | - | - | - | (234) |
| Change in estimate | (2) | (290) | (416) | (50) | - | - | (27) | - | - | (785) |
| Balance at 31 March 2018 | 179 | 7 105 | 5 554 | 8 069 | 2 939 | 227 | 600 | - | 2 067 | 26 740 |

Carrying amount

| | | | | | | | | | | |
|----------------------------|----|-------|-------|-------|-------|-----|----|-------|--------|--------|
| As at 31 March 2017 | 72 | 2 808 | 4 007 | 2 663 | 1 230 | 152 | 53 | 4 000 | 14 333 | 29 318 |
| As at 31 March 2018 | 52 | 2 411 | 4 640 | 1 818 | 2 700 | 137 | 13 | 4 000 | 14 333 | 30 102 |

The residual values and useful life of PPE were reviewed in line with the requirements of IAS16. The review resulted in an adjustment to both useful life and residual value of certain assets. There was no impairment noted during the review. The IDT does not have property, plant or equipment that has been pledged as security or collateral for liabilities.

The residual value of the owner occupied building is below the carrying amount thus no depreciation provided for in accordance with IAS 16: Property, Plant and Equipment par 54. The effect of the change in estimate was a reduction of the Accumulated Depreciation of the items as disclosed in the note in the amount of R785k (2017: R850k).

Assets to the value of R 41 thousands were disposed of during the year, the disposal was done through a donation to non-profit organisations in the regional offices.

The depreciation period applicable to each category of property and equipment are as follows:

| | |
|---------------------------|----------------|
| - Canteen equipment | 10 years |
| - Computer equipment | 5 - 10 years |
| - Furniture and fittings | 10 - 15+ years |
| - Motor Vehicles | 8 years |
| - Office Equipment | 3 - 10 years |
| - Owner occupied building | 50 years |
| - Mechanical equipment | 20 - 25 years |
| - Leased office equipment | 3 - 5 years |

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17. INTANGIBLE ASSETS

| | 31 March 2018 R'000 Computer Software | 31 March 2017 R'000 Computer Software |
|--|--|--|
| The accounting policies for Intangible Assets have been applied to the line items below: | | |
| Cost | | |
| Balance at 1 April 2016 (2015) | 305 | 680 |
| Additions | 97 | 80 |
| Disposals | - | (455) |
| Balance at 31 March 2017 (2016) | 402 | 305 |
| Additions | 4 692 | 97 |
| Disposals | (12) | - |
| Balance as at 31 March 2018 | 5 082 | 402 |
| Accumulated amortisation and impairment | | |
| Balance at 1 April 2016 (2015) | 230 | 629 |
| Amortisation | 84 | 56 |
| Prior year's adjustments | 4 | - |
| Disposals | - | -455 |
| Balance at 31 March 2017 (2016) | 317 | 230 |
| Amortisation | 778 | 84 |
| Change in accounting estimate | - | 4 |
| Disposals | (12) | - |
| Balance as at 31 March 2018 | 1 082 | 318 |
| Balance as at 31 March 2018 | 4 000 | 85 |

The cost of intangible asset acquired is capitalised in the cost and annual licence fees are expensed in the statement of profit or loss and other comprehensive income.

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18. INVESTMENTS WITH FINANCIAL INSTITUTIONS

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|------------------------------------|------------------------------------|
| Cash and short-term investments (maturity less than one year) | - | 43 037 |
| Long-term fixed interest | - | 8 412 |
| | - | 51 449 |

| | Percentage of total investments | |
|---|--|--------------|
| | % | % |
| Cash and short-term investments (maturity less than one year) | 0,0 | 83,7 |
| Long-term fixed interest | 0,0 | 16,3 |
| | 0,0 | 100,0 |

The funds were invested in money market financial instruments and in government, parastatal and corporate bonds issued by reputable local financial institution which, due to their liquid nature, allows immediate access to the funds. The duration of the portfolio is determined by the term of the fixed interest bonds. The investment was closed during 2018 financial year.

None of the investments has been provided as security or collateral for liabilities or contingent liabilities or is past due. Fair value gains and losses on the underlying investments are disclosed separately in the Statement of Comprehensive Income and notes to the financial statements (refer note 12).

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19. TRADE AND OTHER RECEIVABLES

| | 31 March 2018 | 31 March 2017 |
|-------------------|--------------------------|--------------------------|
| | R'000 | R'000 |
| VAT refundable | 604 | 19 174 |
| Trade receivables | 110 736 | 131 229 |
| Other receivables | 12 399 | 30 530 |
| | 123 739 | 180 933 |

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the IDT might not be able to collect all amounts due according to the original terms of the receivables. No interest is charged on any outstanding balance due. Included in trade and other receivables is an amount of R148.7 million (2017: 167.3 million) which represents the balance of management fees to be recovered from programmes. The IDT considers debtors older than 365 days to be impaired.

19.1 Reconciliation of trade receivables

| | | |
|--|----------------|----------------|
| Trade receivables- Debtors management fees | 116 307 | 147 879 |
| Trade receivables- Debtors accrual | 29 832 | 17 285 |
| Trade receivables- Debtors retention accrual | 7 804 | 8 805 |
| Discounting trade receivables | (8 435) | -9 267 |
| Provision for impairment | (34 772) | -33 473 |
| | 110,736 | 131,229 |

19.2 Reconciliation of VAT refundable

| | | |
|--------------------------|------------|---------------|
| Gross VAT refundable | 22 889 | 19 174 |
| Provision for impairment | (22 285) | - |
| | 604 | 19 174 |

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19.3 Reconciliation of other receivables

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|--------------------------|---------------------------|---------------------------|
| Gross other receivables | 33 606 | 30 530 |
| Provision for impairment | (21 207) | - |
| | 12 399 | 30 530 |

Trade and other receivables disclosed above that are past due includes a trade discounting of R 8.4 million (2017: R 9.3 million) and a provision for impairment of R 78.3 million (2017: R 33.5 million) based on the objective evidence available at year end that the IDT might not be able to collect the respective amounts due.

None of the Trade or other receivables has been pledged as security or collateral for liabilities or contingent liabilities nor have any terms of any receivable been renegotiated.

The carrying amount approximates fair value because of the short period to maturity. The ageing of amounts past due and quality of trade receivables are discussed further under note 4.5

20. FUNDS DUE FROM(TO) PROGRAMME PRINCIPALS

| | |
|---------------|---------------|
| 14 115 | 12 565 |
|---------------|---------------|

The balance represents funds due from/ (to) programme principals for expenses relating to programme delivery which were already registered in the accounting records as at year end. Impairment reviews are conducted annually at each year end and where, in the opinion of management, the recovery is doubtful it is written off through profit and loss.

None of the funds recoverable from programmes has been pledged as security or collateral for liabilities or contingent liabilities nor have any terms of any receivable been renegotiated or amounts owed have been defaulted on.

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21. CASH AND CASH EQUIVALENTS

| 31 March 2018 R'000 | 31 March 2017 R'000 |
|---------------------------|---------------------------|
|---------------------------|---------------------------|

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and money held in call accounts and belongs to the IDT, excluding the programme cash and cash equivalents. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows;

| | | |
|---------------------------|---------------|--------------|
| Current accounts and cash | 18 450 | 2 783 |
| | 18 450 | 2 783 |

Cash and cash equivalents are placed with reputable financial institutions. Guarantees, issued in favour of lessors for the renting of office premises, are neither negotiable nor transferable, and are further restricted to the payment of the sum of money limited to the guaranteed amount of R10 thousands (2017: R12 thousand).

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22. FINANCE LEASES

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|--|---------------------------|---------------------------|
| Obligations under finance leases | | |
| Finance leases relate to printers with a lease term of 3 years. IDT does not contractually have the option to buy the equipment for a nominal amount at the conclusion of the lease agreement. | | |
| Reconciliation of minimum lease payments | | |
| Finance expense | (143) | 264 |
| Present value of minimum lease payments | 2 308 | 1 351 |
| No later than one year | 1 303 | 738 |
| Later than one year and not later than five years | 1 005 | 613 |
| Minimum lease payments | 2 014 | 1 733 |
| No later than one year | 1 112 | 973 |
| Later than one year and not later than five years | 902 | 760 |

Finance expense disclosed as at 31 March 2018 reflected a negative balance. This was as a result of transversal contract negotiated by National Treasury which is below market value.

The underlying assets are considered to be security for the finance lease liability. There were no defaults or breaches of the contractual terms of the finance leases during the financial year. The carrying amounts of the finance lease were not materially different from the fair values of equipment at year end (refer to note 16)

23. TRADE AND OTHER PAYABLES

| | | |
|----------------|---------------|---------------|
| Trade payables | 18 482 | 12 155 |
| Other payables | 37 550 | 40 781 |
| | 56 032 | 52 935 |

The IDT recognises trade payables at fair value and subsequently measures at amortised cost using the effective interest method. In accordance with IAS 39: Financial Instruments Recognition and Measurement trade payables are to be discounted. An interest rate of 10.00% (2017: 10.5%) was used for discounting taking into account the date of purchase by the IDT to the date of expected payment. There were no defaults on any amounts payable nor were there any amounts re-negotiated with suppliers of the IDT during the year.

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Annual Financial Statements for the period ended 31 March 2018

Notes to the Annual Financial Statements

23.1 Provision

| | Opening Balance | Provision raised | Provision utilised | Provision reversed | Closing Balance |
|---|-----------------|------------------|--------------------|--------------------|-----------------|
| Reconciliations of provisions- 31 March 2018 | | | | | |
| Provision for Leave Pay | 9 983 | 20 363 | (19 135) | - | 11 211 |
| | 9 983 | 20 363 | (19 135) | - | 11 211 |
| Reconciliations of provisions- 31 March 2017 | | | | | |
| Provision for Leave Pay | 9 710 | 18 919 | (16 613) | (2 033) | 9 983 |
| Provision for Bonus | 16 654 | | - | (16 654) | - |
| | 26 364 | 18 919 | (16 613) | (18 687) | 9 983 |

The balances and the reconciliations of the provisions have been separately disclosed. Provision for leave pay represents annual leave accrued to employees. Provision for leave reflects the full obligation in terms of employees' leave balances.

24. RELATED PARTY TRANSACTION

| 31 March 2018 | 31 March 2017 |
|------------------|------------------|
| R'000 | R'000 |
| | Restated |

The IDT is a programme implementation agent on behalf of a number of Government Departments. The IDT is a public entity whose Executive Authority is the Minister of Public Works and which reports to parliament through the Department of Public Works. Accordingly, departments at national level are generally considered to be related parties. The IDT does not disclose work done on behalf of client departments in terms of IAS 24:Related Party Disclosures paragraph 11 public utilities which provided that, departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process) are deemed not to be related parties.

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Notes to the Annual Financial Statements

24.1 Programme expenditure

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|---------------------------|---------------------------|
| Department of Public Works - NSS EPWP | 604 204 | 600 257 |
| Department of Public Works - Overall EPWP | 20 254 | 46 900 |
| | 624 458 | 647 157 |

24.2 Management fees charged for the year included under Revenue:

| | | |
|---|---------------|---------------|
| Department of Public Works - NSS EPWP | 28 678 | 11 884 |
| Department of Public Works - Overall EPWP | 1 792 | 3 987 |
| | 30 470 | 15 871 |

24.3 Management fees outstanding at year end included under other receivables:

| | | |
|----------------------------|--------------|--------------|
| Department of Public Works | 4 728 | 3 295 |
| | 4 728 | 3 295 |

24.4 Recoveries charged / (paid over) for staff secondments:

| | | |
|----------------------------|--------------|--------------|
| Department of Public Works | 1 763 | 1 750 |
| | 1 763 | 1 750 |

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Notes to the Annual Financial Statements

24.5 Remuneration of Trustees and Executives

| | | | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|-----------|--------------|---------------------------|---------------------------|
| Board of Trustees | Appointed | Terminations | | |
| Mr N Ngubane (Chairperson) | 01-Aug-17 | 31-Mar-18 | 502 | - |
| Mr S Baloyi (Deputy Chairperson) | 01-Aug-17 | 31-Mar-18 | 407 | - |
| Dr S Fikeni (Chairperson) | 01-Jul-12 | 31-Jul-17 | 160 | 392 |
| Ms N Rakolote (Deputy Chairperson) | 01-Nov-16 | 31-Jul-17 | 110 | 96 |
| Mr T Adams | 27-Mar-15 | 31-Oct-16 | - | 23 |
| Ms Z Mdhladhla | 01-Jul-12 | 31-Oct-16 | - | 91 |
| Mr M Mlengana | 01-Jul-12 | 01-Jul-16 | - | 56 |
| Mr T Motswaledi | 01-Jul-12 | | 393 | 384 |
| Ms T Mpumlwana | 01-Jul-12 | 31-Oct-16 | - | 110 |
| Mr R Patel | 01-Jul-12 | 31-Mar-18 | 259 | 176 |
| Ms P Nkomo | 01-Jul-12 | 31-Mar-18 | 111 | 128 |
| Mr Z Zitha | 01-Jul-12 | | 254 | 250 |
| Ms G Zulu-Kabanyane | 01-Jul-12 | 31-Mar-18 | 223 | 163 |
| Dr L Zitha | 27-Mar-16 | | 207 | 115 |
| Mr S Biniza | 01-Nov-16 | | 209 | 67 |
| Ms A Makhado | 01-Nov-16 | 11-Dec-17 | 29 | 49 |
| Ms O Matloa (Chairperson of the Audit Committee) | 01-Nov-16 | | 251 | 79 |
| Mr Burton (Independent) | 01-Mar-18 | | 22 | - |
| Mr PD Moiloa (Independent) | 01-Mar-18 | | 33 | - |
| Dr P Dala (Independent) | 01-Mar-18 | | 22 | - |
| Ms S Boulton (Chairperson of the Audit Committee) | 10-Sep-13 | 02-Nov-17 | 416 | 452 |
| | | | 3 608 | 2 631 |

Certain appointments and terminations are effective after reporting date and are reflected in note 28.

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Notes to the Annual Financial Statements

24.6 Executive management

| | Salary | Provident Fund Contributions | Acting Allowance | Settlement | Total | Restated 2017 |
|---|--------------|------------------------------|------------------|--------------|---------------|---------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Mr CBJ Pakade (CEO) | 2 100 | 294 | - | - | 2 394 | 2 000 |
| Mr A Wakaba (Interim COO) (Terminated- 06 March 2018) | 1 863 | 252 | - | 681 | 2 797 | 1 992 |
| Ms N Mogorosi (CFO) (Terminated- 31 December 2017) | 1 186 | 157 | - | 1 130 | 2 474 | 1 500 |
| Dr C Ruiters (Terminated- 31 August 2017) | 672 | 119 | - | 95 | 886 | 317 |
| Ms Y Mbane (Interim CEO- 01 October 2017) | 1 606 | 222 | 87 | - | 1 915 | 291 |
| Mr V Mthintso (Terminated- 31 October 2017) | 830 | 135 | - | 482 | 1 447 | - |
| Mr S Ntsandeni (Acting- 01 September 2017) | 775 | 137 | 91 | - | 1 002 | 1 108 |
| Ms H Kruger (Acting CFO- 01 January 2018) | 308 | 44 | 35 | - | 387 | - |
| Dr N Gumede (Terminated- 30 September 2016) | - | - | - | - | - | 853 |
| Mr M Sidambe (Terminated- 30 June 2016) | - | - | - | - | - | 335 |
| Dr S Bhebehe (Terminated- 31 January 2017) | - | - | - | - | - | 2 426 |
| Mr A Said (Terminated 31 January 2017) | - | - | - | - | - | 375 |
| | 9 341 | 1 360 | 213 | 2 389 | 13 303 | 11 197 |

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Notes to the Annual Financial Statements

25. Prior period errors that resulted in a restatement to the previously disclosed amounts

Below is the impact of each prior period error identified, followed by illustration of its effect to the amounts previously disclosed:

| 31 March 2018 R'000 | 31 March 2017 R'000 |
|---------------------------|---------------------------|
|---------------------------|---------------------------|

| | |
|--------------|--|
| 7 005 | |
|--------------|--|

25.1 Adjustments affecting the statement of comprehensive income

| | | |
|----------------------------|--------------|---|
| | 7 005 | - |
| Revenue | 8 401 | |
| Other Income | 8 323 | |
| Other losses | (9 371) | |
| Administration expenditure | (348) | |

Adjustments affecting the statement of financial position

| | | |
|---|--------------|---|
| | 7 005 | |
| Increase in Trade and Other receivables | 8 432 | |
| Decrease in Property, plant and equipment | (31) | |
| Increase in Trade and Other payables | (1 396) | - |

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Notes to the Annual Financial Statements

25.2 Statement of comprehensive income for the period ended 31 March 2017

| | Balance as previously | Prior period error | Restated |
|---|----------------------------------|-------------------------------|------------------|
| | R'000 | R'000 | R'000 |
| Revenue | 210 560 | 8 401 | 218 961 |
| Investment income | 9 577 | | 9 577 |
| Interest income | 903 | | 903 |
| Other income | 6 510 | 8 323 | 14 833 |
| Other losses | (24 336) | (9 371) | (33 707) |
| Employment expense | (204 901) | | (204 901) |
| Depreciation and amortisation expense | (3 333) | | (3 333) |
| Administration expense | (135 124) | (348) | (135 472) |
| Finance expense | (1 589) | | (1 589) |
| Fair value gains on investments | 413 | | 413 |
| Other Expenses | | | |
| SURPLUS / (DEFICIT) FOR THE YEAR | (141 319) | 7 005 | (134 314) |
| TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) FOR THE YEAR | (141 319) | 7 005 | (134 314) |

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Notes to the Annual Financial Statements

25.3 Statement of financial position as at 31 March 2017

| | Balance as previously reported R'000 | Prior period error R'000 | Restated R'000 |
|---|---|---|---------------------------|
| ASSETS | | | |
| Non-current assets | 37 846 | (31) | 37 815 |
| Property, plant and equipment | 29 349 | (31) | 29 318 |
| Intangible assets | 85 | | 85 |
| Investments with financial institutions | 8 412 | | 8 412 |
| Programme spend | | - | - |
| Current assets | 2 323 986 | 8 432 | 2 332 418 |
| Investments with financial institutions | 43 037 | | 43 037 |
| Trade and other receivables | 172 500 | 8 432 | 180 932 |
| Funds due from programme principals | 12 565 | | 12 565 |
| Programme cash and cash equivalent | 2 093 101 | | 2 093 101 |
| Cash and cash equivalents | 2 783 | | 2 783 |
| TOTAL ASSETS | 2 361 832 | 8 401 | 2 370 234 |

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Notes to the Annual Financial Statements

25.3 Statement of financial position as at 31 March 2017

| | Balance as previously reported R'000 | Prior period error R'000 | Restated R'000 |
|--------------------------------------|---|---|---------------------------|
| EQUITY AND LIABILITIES | | | |
| MAIN FUND | 205 857 | 7 005 | 212 862 |
| INITIAL FUNDING | 2 025 000 | - | 2 025 000 |
| ACCUMULATED DEFICIT | (1 819 143) | 7 005 | (1 812 138) |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Finance leases | 613 | - | 613 |
| | | | - |
| Current liabilities | 2 155 362 | 1 396 | 2 156 758 |
| Short term portion on finance leases | 738 | | 738 |
| Funds due to programme principals | 2 093 101 | | 2 093 101 |
| Trade and other payables | 51 539 | 1 396 | 52 935 |
| Provisions | 9 983 | | 9 983 |
| TOTAL LIABILITIES | 2 155 975 | 1 396 | 2 157 371 |
| TOTAL EQUITY AND LIABILITIES | 2 361 832 | 8 401 | 2 370 234 |

Independent Development Trust
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Notes to the Annual Financial Statements

26. CASH GENERATED FROM/(UTILISED IN) OPERATIONS

| | 31 March 2018 | 31 March 2017 |
|---|--------------------------|--------------------------|
| | R'000 | R'000 |
| (Deficit) / Surplus for the year | (92 009) | (134 314) |
| Investment income | (1 161) | (9 577) |
| Interest received | (3 116) | (903) |
| Interest paid | (32) | 1 589 |
| Non-cash movements/working capital changes | 64 465 | 9 707 |
| Depreciation | 4 525 | 4 096 |
| Amortisation | 778 | 84 |
| Change in estimate | (785) | (847) |
| Fair value (gains)/losses on investments | (62) | (413) |
| Loss on disposal | 41 | 408 |
| Decrease/(Increase) in funds due from programmes principals | (1 550) | 10 297 |
| Increase/(Decrease) in payables | 3 096 | 3 863 |
| Increase/(Decrease) in provisions | 1 228 | (16 381) |
| Decrease/(Increase) in receivables | 57 194 | 8 599 |
| Net cash flows from operating activities | (31 853) | (133 498) |

Independent Development Trust

Annual Financial Statements for the period ended 31 March 2018

Notes to the Annual Financial Statements

27. OPERATING LEASE ARRANGEMENTS

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

Lessee

Payments recognised as an expense

At the reporting date the IDT had outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | | |
|--------------|---------------|---------------|
| Up to 1 year | 17 785 | 10 400 |
| 2 to 5 years | 21 286 | 13 329 |
| | 39 071 | 23 729 |

The IDT has entered into various non-cancellable operating lease agreements in respect of rented premises. Leases are contracted for periods of up to 5 years. The leases have varying terms, escalation clauses and renewal rights, but the IDT has no option to purchase the leased buildings at the expiry of the lease period. The basis on which rent is determined by the Lessor is based on the existing rental market. There are no restrictions imposed by the Lessors on any of the buildings leased. The lease expenditure is straight lined and charged to the Statement of Comprehensive Income (refer to note 10).

28. EVENTS AFTER THE REPORTING DATE

28.1 After reporting date the following appointments and terminations took place:

| | | |
|---------------------------|--------------------------|-----------|
| Appointments | | |
| Mr Morris Mthombeni | Interim Board of Trustee | 06-Apr-18 |
| Ms Mandisa Fatyela-Lindie | Interim Board of Trustee | 06-Apr-18 |
| Ms Nomvula Rakolote | Interim Board of Trustee | 06-Apr-18 |
| Mr Butcher Matutle | Acting CEO | 25-Apr-18 |
| Terminations | | |
| Mr N Ngubane | Board Chairperson | 06-Apr-18 |
| Mr S Baloyi | Board Deputy Chairperson | 06-Apr-18 |
| Yvonne Mbane | Interim CEO | 30-Apr-18 |

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Notes to the Annual Financial Statements

29. PROGRAMME ASSETS AND LIABILITIES

The IDT has entered into binding arrangements with various client departments wherein it acts on behalf and for the benefit of the client departments in delivering programmes committed in their various votes. Such arrangements require the IDT to undertake transactions with third parties.

The movement in funds held for the delivery of client programmes can be stated as follows:

| | 31 March 2018 R'000 | 31 March 2017 R'000 Restated |
|--|---------------------------|---------------------------------------|
| Opening bank balance | 720 351 | 636 443 |
| Funds received from Client Departments | 4 228 430 | 4 701 418 |
| Interest received | 50 074 | 43 748 |
| Total Income (A) | 4 998 855 | 5 381 609 |
| Programme Expenditure | 4 083 283 | 4 557 337 |
| Management Fees | 229 830 | 248 654 |
| Total Expenses (B) | 4 313 113 | 4 805 991 |
| Programme Balance (A-B) | 685 741 | 575 618 |
| Interest paid to clients | (22 832) | (23 996) |
| Programme payments net movement | 37 415 | 168 729 |
| Closing Bank Balance | 700 324 | 720 351 |
| ASSETS | | |
| Programme assets | | |
| Programme trade and other receivables | 1 280 346 | 1 372 750 |
| Programme cash and cash equivalents | 700 324 | 720 351 |
| | 1 980 670 | 2 093 101 |

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Annual Financial Statements for the period ended 31 March 2018
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29. PROGRAMME ASSETS AND LIABILITIES (continued)

EQUITY AND LIABILITIES

Programme reserves and liabilities

| | | |
|------------------------------------|----------------------|----------------------|
| Funds held in trust | (635 817) | (698 868) |
| Programme trade and other payables | (1 256 525) | (1 246 202) |
| Programme retention liability | (88 328) | (148 032) |
| | (1 980 670) | (2 093 101) |

Programme trade and other receivables represent the balance of funds receivable from client departments in respect of expenditure incurred in the delivery of projects on behalf of client departments.

Programme cash and cash equivalents represent the balance of the programme bank accounts held on behalf of client departments as at 31 March 2018. The use of cash balances is restricted to programme delivery. IDT does not derive any economic benefit from the bank balances except for management fees due to the IDT for the services it had rendered as an agent.

Programme trade and other payables represents balances due to programme contractors and suppliers for the services rendered in delivery of programmes. The balances also include the outstanding management fees not yet paid for by the client departments.

Programme retention liability represents amounts withheld from contractors' payments until the lapse of the defects liability period. The liability is paid once the final account is certified and relevant retention invoice is issued by the service provider.

Independent Development Trust

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Notes to the Annual Financial Statements

29.1 Prior period errors that resulted in a restatement to the previously disclosed amounts.

Stated below is the impact of transactions recorded in the incorrect accounting period resulting in a prior period correction.

29.1.1 Restated 2017 period

| | Balance as previously re- ported R'000 | Prior pe- riod error R'000 | Restated balance R'000 |
|---|--|----------------------------------|------------------------------|
| Opening bank balance | 636 443 | | 636 443 |
| Funds received from Client Departments | 4 701 418 | | 4 701 418 |
| Interest received | 43 748 | | 43 748 |
| Total Income (A) | 5 381 609 | - | 5 381 609 |
| Programme Expenditure | 4 383 877 | 173 460 | 4 557 337 |
| Management Fees | 240 029 | 8 625 | 248 654 |
| Total Expenses (B) | 4 623 906 | 182 085 | 4 805 991 |
| Programme Balance (A-B) | 757 703 | (182 085) | 575 618 |
| Less interest paid to clients | (23 996) | - | (23 996) |
| Add: Programme payments net movement | (13 356) | 182 085 | 168 729 |
| Closing Bank Balance | 720 351 | - | 720 351 |
| ASSETS | | | |
| Programme assets | | | |
| Programme trade and other receivables | 1 372 750 | | 1 372 750 |
| Programme cash and cash equivalents | 720 351 | | 720 351 |
| | 2 093 101 | - | 2 093 101 |
| EQUITY AND LIABILITIES | | | |
| Programme reserves and liabilities | | | |
| Funds held in trust | (698 868) | | (698 868) |
| Programme trade and other payables | (1 246 202) | | (1 246 202) |
| Programme retention liability | (148 032) | | (148 032) |
| | (2 093 101) | - | (2 093 101) |

Projects implemented by IDT



The Newly Built Bela - Bela Clinic in Limpopo



Tshinange Secondary School in Vuwani, replacement for the burnt school in the area Limpopo



Mamphalle Community Library

Amahlubi Community Centre in KwaZulu-Natal



ST John's Early Childhood Development Centre in the Eastern Cape



Mpumalanga High Court



Kroonstad Correctional Facility in Free State



Port Nolloth Health Care Centre underconstruction in Northern Cape



North West Provincial Disaster Management Centre underconstruction

