

Independent Development Trust
Annual Report 2016

Your partner in development



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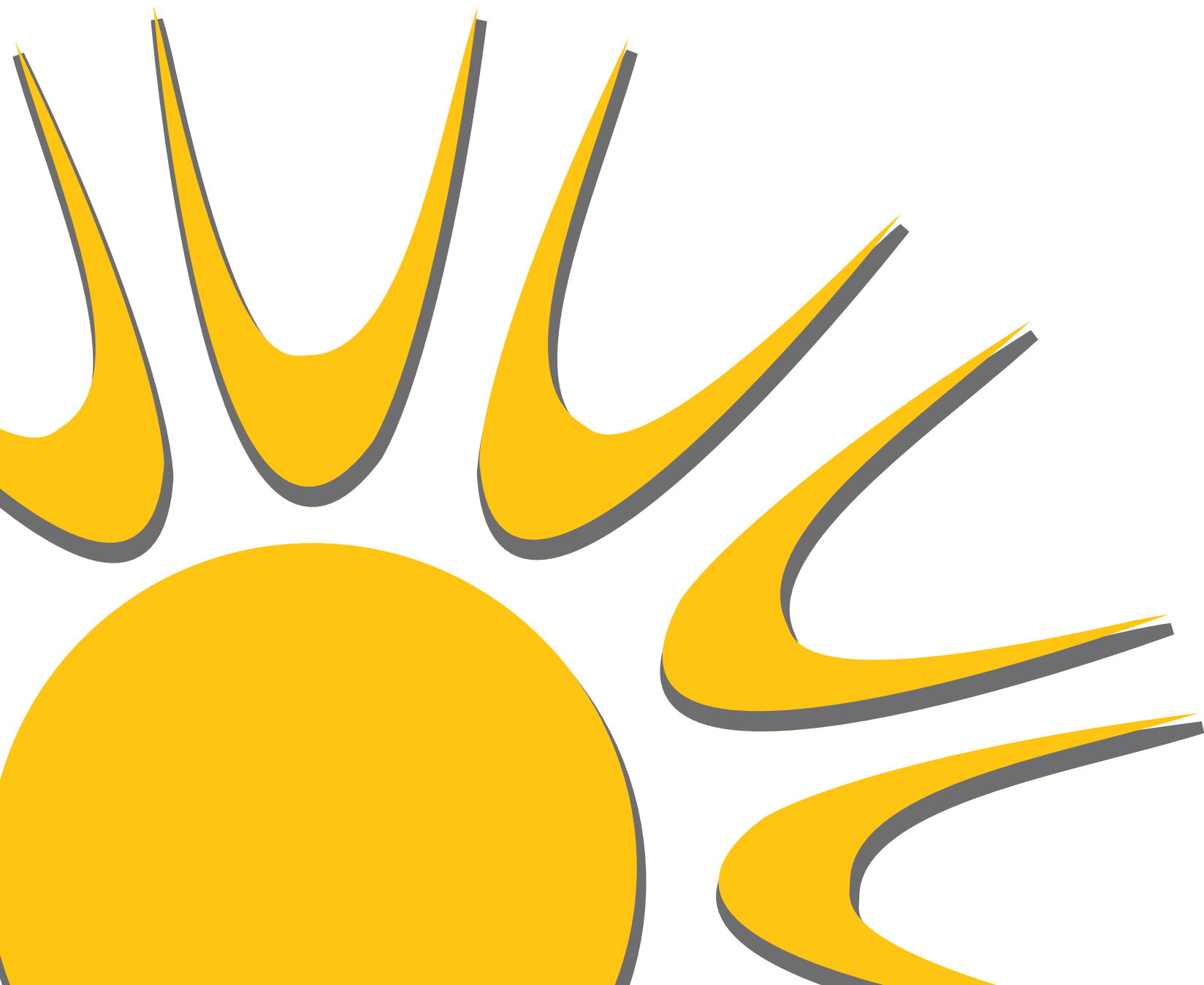
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Part A: General Information



1. 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/S | : +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 |
| ABT's | Alternative Building Technologies |
| AFS | Annual Financial Statements |
| 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 |
| CBE | Council for the Built Environment |
| cidb | Construction Industry Development Board |
| CBO | Community-Based Organisation |
| CDP | Contractor Development Programme |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| 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 |

| | |
|------------------|--|
| GP | Gauteng Province |
| HCS | Human Capital Strategy |
| HRP | Human Resources Plan |
| IDT | Independent Development Trust |
| ICT | Information and Communications Technology |
| IT | Information Technology |
| King III | The King 3 Report on Corporate Governance |
| KZN | KwaZulu-Natal |
| LP | Limpopo |
| MANCO | Management Committee |
| MEXCO | Management Executive Committee |
| M&E | Monitoring and Evaluation |
| M&E+R | Monitoring, Evaluation and Reporting |
| MINMEC | Minister and Members of Executive Council |
| MoA | Memorandum of Agreement |
| MP | Mpumalanga |
| MTEF | Medium-Term Expenditure Framework |
| MTERF | Medium-Term Expenditure and Revenue Framework |
| NC | Northern Cape |
| NDP | National Development Plan: Vision 2030. |
| NGO | Non-Governmental Organisation |
| NPO | Non-Profit Organisation |
| NW | North West |
| NSS | Non-State Sector |
| 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 Co-ordinating Commission |
| PIM | Programme Implementation Manager |
| PCPW | Portfolio Committee on Public Works |
| PPPFA | Preferential Procurement Policy Framework Act (No. 5 of 2000) |
| PM | Programme Manager |
| RMC | Risk Management Committee |
| SIP | Strategic Infrastructure Programme |
| SMME | Small, Medium and Micro-Enterprise |
| SONA | State of the Nation Address |
| WC | Western Cape |

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

5. Statement by the Executive Authority

A key responsibility of a national department is to establish a conducive environment for the implementation of government development policies pertaining to its area of mandate. This includes putting measures in place to enable development programme implementation. The IDT, as a development agency which implements government social infrastructure programmes, is a critical lever through which the national Department of Public Works advances the development agenda of government.

The IDT is conscious of aligning to and meaningfully supporting the realisation of the Department's vision. The IDT is undergoing major transformation intended to reposition it as a premier public social infrastructure programme management agency for the State. The transformation also seeks to secure the long-term sustainability of the IDT. For the past 6 years, the IDT has increasingly faced financial viability challenges, largely arising from an unsustainable funding model. The issuing of Instruction Note 4 of 2014/15 by National Treasury in August 2014 addressed much of the funding dilemma, by introducing a formal tariff structure for the IDT's services. The Instruction Note 4 has thus been an enabling instrument towards financial sustainability of the IDT as it empowers the IDT to negotiate for, contract on, bill and collect optimum management fees from client departments.

During the year under review, the IDT delivered programmes to the value of R4.6 billion, a significant decrease on the value of programmes delivered in the previous financial year. The decrease has been largely due to the tight public sector fiscal environment, as well as IDT's own performance lapses which have resulted in some of the clients withdrawing their programmes. This necessitated the development of a Turnaround Strategy and Plan, which was later approved by the Board of Trustees during the second quarter of the year under review. This Turnaround Strategy will enable the IDT to continue delivering quality social infrastructure. This year the IDT spent 88% of its total programme expenditure. The Ministry, following extensive engagements with the Board of the IDT and the new Chief Executive Officer, is confident that the Turnaround Strategy and Plan will address the identified performance and governance concerns.

In addition to providing quality social infrastructure, the IDT consistently ensures that black women and youth-owned enterprises deliver a significant percentage of its portfolio, thereby demonstrating that it is possible to create pathways for marginalised groups to participate in the mainstream economy.

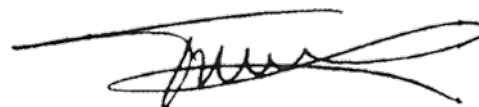
The Ministry has confidence in the IDT and has always asserted that the IDT is a strategic public entity, notwithstanding the concerns that I have raised with respect to the financial governance lapses at the IDT. While I have noted the improvements pursued by the IDT Board of Trustees and management in the area of governance and financial administration, the disclaimed 2015/16 audit outcome is unacceptable. As the Executive Authority, notwithstanding my deep concern, I extend my appreciation to them for their effort towards improving the IDT audit outcome. My full appreciation will come on achievement of an unqualified audit or, even better, a clean audit outcome.

The IDT is set to deliver programmes to the value of R6bn in 2016/17. I expect that once more, around 90 percent of this portfolio will deliver social infrastructure in provinces in dire need of facilities such as decent schools, health centres, libraries and the like, such that citizens will have access to social services.

The Ministry has committed to review the IDT's mandate as a public entity serving our developmental state, now and into the future. The Business Case on the IDT's future is now concluded with engagements for its approval underway.

I look forward to the repositioning of the IDT as per the Business Case proposals as this will put government on a better footing in its efforts to speed up service delivery

in the face of a citizenry that has been patient for a long time. Consequently, the Ministry will prioritise the facilitation of the approval of this Business Case by the Cabinet, as well as its implementation thereof under the oversight of the IDT Board of Trustees.



Honourable Mr Thembelani W. Nxesi (MP)

Minister of Public Works

Date: 27 September 2016



Dr Somadoda Fikeni

Chairperson: IDT Board of Trustees

6. Foreword by the Chairperson

On behalf of the IDT I present the 2015/2016 Annual Report which outlines work undertaken against our performance objectives, and the state of the organisation during the financial year under review. The IDT continues to deliver much-needed social infrastructure for various government departments at both national and provincial levels. The IDT's performance demonstrates resilience, albeit showing strain in the current year when compared to the previous period. This should be viewed against the background of the protracted uncertainty about its future mandate, as well as financial constraints that have challenged the organisation's ability to effectively

undertake its work.

As reported in the previous financial year, the process of re-defining the IDT's mandate and development of the Business Case for the re-positioning of the IDT was given impetus by the Shareholder in June 2015 when it was agreed that the IDT will continue, for the next three years, to focus on social infrastructure delivery in the current format. The IDT's Business Case, providing for the organisation's proposed mandate and long-term funding model among other matters, was concluded during the reporting period. Further, a Collaboration Protocol was approved by the Public Works MINMEC, defining the preferred working arrangements between the IDT and the government in general and the departments of Public Works in particular.

Following 11 consecutive years – from 2002/03 to 2012/13 – of unqualified audit outcomes, the IDT's audit outcomes have showed signs of deterioration in the recent past, resulting even in an audit disclaimer in the 2014/15 financial year. The Board, working closely with the Audit and Risk Committee and the CEO, has worked hard to address the root causes of the deterioration. The Board's efforts in the area of financial governance particularly have resulted in notable improvements, notwithstanding the repeat in the 2015/16 of the audit disclaimer. The IDT's audit outcome has, largely for historical reasons, remained a disclaimed opinion, with the matters informing the disclaimer mainly located in the following areas: procurement, project accounting and revenue management. A detailed root cause analysis and action plan to address audit findings will be prepared by management, for monitoring by the Board as part of its oversight. The action plan will also entail strengthening of organisational leadership following the approval of

the new senior management structure by the Board in August 2015.

While a lot of ground was covered in addressing the issues raised by and findings of the previous year's audit, the Board remains seriously concerned with the negative audit outcomes in the recent past and current year. For this reason, the Board instituted consequence management which resulted in some senior management and staff members being subjected to disciplinary processes. In consequence, the former Chief Finance Officer was dismissed. In addition, the on-going forensic audit process initiated by the Board in the previous year has enabled the Board and management to undertake further actions where transgressions were identified. The Board, working with the CEO, will ensure that the issues raised by both the financial audit and forensic audits are addressed decisively. A greater sense of urgency will inform a well-thought plan, and ensure that there are serious consequences for those responsible for bringing the organisation into disrepute.

The IDT embraces the new season of revamping itself into a vibrant and effective organisation that delivers on its mandate while maintaining good governance. We are moving swiftly to ensure that the organisation is ready to implement proposals of the Business Case. Further, the implementation of the Turnaround Strategy and Plan approved by the Board in August 2015 is underway. This entails, among other measures, business process and systems re-engineering to achieve and maintain effective service delivery and performance management; ensuring financial sustainability; prudent financial management and accountability for the IDT's and clients' funds; strategic positioning of the IDT to ensure that the entity remains a relevant and prized

national asset that delivers value for money; positioning the IDT as an employer of choice which retains its envied delivery performance record and brand; and implementation of measures to realise the IDT's vision of being a leading public sector developmental programme implementation and management agency.

I wish to acknowledge the support of the Executive Authority under the leadership of the Honourable Minister Thulas Nxesi, Deputy Honourable Minister, Jeremy Cronin, as well as the Director-General and all the departmental officials who gave the IDT valuable support during the reporting period.

Last but not least, I wish to express my sincere appreciation to the Deputy-Chairperson, fellow Board members and the Independent Chairperson of the Audit and Risk Committee, the CEO and Executive Management for their leadership during the reporting period.



Dr Somadoda Fikeni

Chairperson: IDT Board of Trustees



Mr Coceko BJ Pakade
Chief Executive Officer

7. Chief Executive Officer's Overview

During the period under review the IDT focused on accelerating internal reforms which aim to reposition the organisation as an efficient, financially viable and sustainable public entity, with the primary objective of providing effective programme implementation and management services for social infrastructure programmes of government. In this regard the IDT provided support to the Department of Public Works in its process of developing a business case which redefines IDT as its entity whose mandate is to support the department in delivering social infrastructure

programmes of government. The draft business case was finalised and is expected to be tabled before Cabinet in the new financial year. This is a significant achievement as it will bring surety about the IDT's mandate henceforth, and create organisational stability. We expect that this process will culminate in draft legislation which will establish the IDT as a new entity, changing its current status as a trust to that of a fully-fledged public entity. The indication too is that its status may shift from that of a schedule 2 to a schedule 3A entity.

The main focus of the IDT is therefore the delivery of social infrastructure, mainly schools for the national and provincial departments of education, hospitals and clinics for the departments of health, and court buildings for the Department of Justice. The IDT also provides a service supplementary to the physical construction of buildings in that it undertakes social facilitation to prepare and mobilise communities to receive, participate in and own the facilities constructed. This helps ensure that the infrastructure delivered is accepted by the communities in which it is located. The IDT's programme management model involves:

- procurement of goods and services;
- payment of service providers;
- management of the dedicated programme bank accounts; and
- monitoring and reporting.

Programmes to the value of R4.550bn were delivered by the IDT during the year under review, a decrease of 27% compared to the programme spend in the 2014/15 financial year. The reduction in the value of delivered programmes has largely been due to the tight fiscal environment which has impacted on the infrastructure budgets of the IDT's clients. The value of programme

spend is influenced by the ability of the IDT to generate new business and also retain current business. The reduction in total business portfolio therefore has a ripple effect on the amount of spending on programmes, the number of construction projects completed and the number of work opportunities created. Consequently, the organisation has incurred a deficit of R67m for the year, against a surplus of R88m in the previous year. The decreased revenue generated is occasioned by the review of the management fee tariff charged. This income was overstated in the books in the previous year, resulting in an adjustment for that and issuing of credit notes to adjust the amount of trade receivables.

Given that the IDT experienced numerous administrative and financial management challenges which resulted in a disclaimer of opinion by the Auditor-General in the 2014/15 financial year, a turnaround strategy was developed and approved by the Board of Trustees in August 2015. The strategy focuses on four main pillars, namely:

- financial viability and sustainability;
- service delivery improvements;
- organisational integrity, governance, accountability and compliance; and
- organisational re-configuration, professionalisation and image building.

A number of management interventions were made to this effect. Key among them were:

- procurement of external technical support to provide long-term remedies to the identified underlying causes of the disclaimer. The magnitude of the problem experienced both in the financial management records and the project management and accounting systems was too big and needed

specialised expertise to focus on all the elements necessary to turn things around;

- development of a detailed Audit Action Plan (AAP) to address all the findings by the AGSA, both significant ones as well as the insignificant control weaknesses, with the main goal being to submit credible annual financial statements to the AGSA by 31 May 2016;
- development of a turnaround strategy, which was approved by the Board in August 2015, aimed at addressing financial management challenges including revenue management and debt collection, risk management and compliance, and project and programme management shortcomings;
- review and approval of the top management structure by the Board in order to provide, among others matters, for focused leadership, greater efficiencies and a reduction of the 26.7% vacancy rate in senior management positions; and
- revival of the IDT's strategic partnerships; developing close working relations with key players and clients within the social infrastructure environment and creating a stakeholder management and special projects unit to drive such initiatives.

Through the support of the external technical support team, and working closely with our management team, commendable work was done to rigorously address the underlying causes of the 2014/15 disclaimed audit opinion, and consequently laying a solid foundation for positive future audit outcomes. In brief, the following are key achievements from the previous year's significant audit findings which resulted in a disclaimer of opinion:

Programme cash and cash equivalents and Programme reserves and liabilities

In the 2014/15 financial year AGSA could not audit the balances which were valued at R874m due to non-

availability of supporting reconciliations. This was the first time that the IDT had to account for these balances on the face of the Statement of Financial Position. In the 2015/16 financial year much effort was put into reconciling these programmes in detail, going back to the 2013/14 financial year. Reconciliations were automated and presented for audit purposes. However, the biggest challenge remained the take-on balances recorded in the financial management system (i.e. Great Plains): there was a systems enhancement in 2013/14 financial year and migration of data from the old to the new system. These take-on balances were material and in large volumes, and could not be satisfactorily addressed before audit finalisation for this financial year due to the length of time required to reconcile the transactions from source documents for the past three to five years. This reconciliation will be completed during the 2016/17 financial year.

Revenue and trade and other receivables

Significant progress has been made in addressing findings on accurate recording of programme expenditure and related management fees and trade receivables. The cut-off procedures were implemented during the last quarter of the period under review, and programme invoices not processed before the end of the financial year were accrued to also ensure accurate revenue recognition in compliance with International Accounting Standard (IAS) 18. However, there were a few exceptions identified during the audit which, when extrapolated, resulted in material findings. Standard operating procedures to address this challenge have now been developed and rolled out in all regions.

Trade and other receivables and other losses

In the previous year, AGSA was unable to obtain sufficient appropriate audit evidence regarding the impairment provision for trade and other receivables, as the IDT did not perform an individual assessment for all trade and other receivables in accordance with the IAS 39. This matter has been fully addressed and we have applied the provisions of IAS 39 by individually assessing all trade and other receivables as at 31 March 2016.

Aggregation of immaterial uncorrected misstatements current year

In previous year AGSA found uncorrected projected misstatements amounting to R7.3m which were immaterial individually but found to be material when aggregated. This amount was significantly reduced during the year under review, resulting in uncorrected misstatements valued at only R1.1m being found in the financial statements, and deemed to be immaterial.

Despite significant effort and interventions made to address the legacy issues which have resulted in negative audit outcomes for the IDT, the audit opinion for the 2015/16 financial year regrettably remains disclaimed. The major contributing factor is the reconciliation of old (take-on) balances relating to the 2013/14 financial year data migration process as explained earlier. Once this exercise is completed, the programme assets and liabilities as well as the programme expenditure and recognised revenue will be fairly presented. All this work will be completed during 2016/17 financial year.

Greater attention was also paid to improving service delivery and strengthening financial management and governance through, in part, direct engagements with

various existing and prospective client departments at national and provincial levels. These consultations were largely around:

- existing client departments' business service concerns;
- opportunities for strengthening the partnership between the prospective client departments and the IDT; and
- presentation of the IDT's service offering and value proposition.

In their feedback many clients, although critical in some respects, have by and large commended the IDT for improved project management at site level, improved reporting including cash flow forecasting, and increased support on audit services resulting in better audit outcomes for them.

The IDT management team, ably supported by the Board of Trustees, also continued to show its unflinching commitment to the eradication of unethical behaviour, fraud and corruption in the work environment, and ensuring that the public funds used in the pursuit of its mandate were wholly and properly accounted for. The team adopted zero tolerance to fraud by, among other measures, developing a Fraud Policy and Fraud Prevention Measures to ensure that a fraud and corruption-free environment is created and sustained. A number of fraudulent activities and practices were identified, investigated and followed up against those found implicated through application of remedies available within the law.

I wish to acknowledge the commendable strides made by the management team in addressing most of the identified challenges facing the organisation as we set

a solid platform for turning around the future financial fortunes of the organisation. As a team, we draw inspiration and strength from the leadership and support provided by the Board of Trustees and the Executive Authority in rebuilding the IDT into an effective state social infrastructure programme and implementation management agency. This encourages the team to work even harder to achieve better delivery and governance outcomes in the future. The management team is however under no illusion of the enormity of the task and challenges it still faces to turn the organisation around and achieve the performance levels that will help it reclaim its positive reputation, enable it to attract more business, and ultimately become financially self-sustaining. We firmly believe that our objective of turning the organisation around for the better is attainable and is within reach.

In conclusion, I wish to express my gratitude to the Board of Trustees, the Public Works Ministry and the Office of the Director-General, and the general staff of the IDT for their critical support and leadership in the face of challenging work and external circumstantial factors. I herewith present the 2015/16 Annual Report of the Independent Development Trust.



Mr Coceko BJ Pakade
Chief Executive Officer

8. 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) 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 2016.

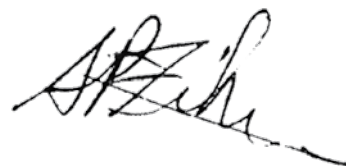
Yours faithfully



Mr Coceko BJ Pakade

Chief Executive Officer

Date: 31 August 2016



Dr Somadoda Fikeni

Chairperson of the Board

Date: 31 August 2016

9. Strategic Overview

In the context of South Africa and all its challenges, the IDT submits that at the heart of social infrastructure delivery is the building of 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

| Values | Operating Principles |
|-----------------|---|
| People-Centred | <ul style="list-style-type: none">• We work towards making positive impact on communities• We work together as a team• We put people first |
| Integrity | <ul style="list-style-type: none">• We are open and honest in all our communications• 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 deliver quality results |
| Accountability | <ul style="list-style-type: none">• We have responsibility to communities, stakeholders and one another for our actions• We are accountable to our clients, stakeholders and one another for our actions |
| Innovative | <ul style="list-style-type: none">• We approach our work in a creative manner• We explore and implement innovative solutions to foster sustainable development practices and outcomes |

10. 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 IDT reports to Parliament through the Minister of Public Works, the 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;
- leadership of 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 is part of the Department of Public Works family and plays a major role in ensuring that the Department delivers on its mandate particularly pertaining to the building of immovable assets and eradication of social

infrastructure backlogs. As part of the Department, the IDT subscribes to and works towards complementing the mother body's contribution to the national socio-economic development imperatives, including the eradication of poverty, job creation, and broad-based black economic empowerment. The IDT's strategy is aligned to the government's Medium Term Strategic Framework (MTSF) which has two over-arching strategic themes—radical economic transformation and improving service delivery.

The IDT takes a special interest in policy positions against which to test the relevance of its mandate and the appropriateness of its corporate strategy. Currently, the most pertinent policy directive is the National Development Plan (NDP): Vision 2030. The NDP is Government's "development blueprint" which "sets out various methods to tackle unemployment, poverty, inequality and other challenges facing our country."² Furthermore, the IDT takes cognisance of and actively aligns its work to the National Infrastructure Plan (NIP) approved by Cabinet in 2012. The NIP is in the custody of the Presidential Infrastructure Co-ordinating Commission (PICC), a body established by Cabinet to integrate and co-ordinate long-term infrastructure build and its Strategic Infrastructure Projects (SIPs). The PICC Terms of Reference (ToR) emphasise the strategic role of infrastructure in the physical and socio-economic development of the country.

To this end, the IDT's track record, experience and capacity favour its interest in and suitability for contributing towards the following SIPs:

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.

2. Statement of the National Executive Committee on the occasion of the 101st anniversary of the African National Congress (ANC), 8 January 2013, Page 3.

SIP 6: Integrated Municipal Infrastructure Project

- SIP12: Revitalisation of Public Hospitals and other Health Facilities
- SIP13: National School Build Programme.
- SIP14: Higher Education Infrastructure.

An analysis of the NDP and the NIP clearly shows that infrastructure, besides meeting the physical needs of the country's citizens, has a major socio-economic role, *inter-alia*:

- 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 Executive Authority is spearheading the IDT's long-term sustainability Business Case. The conclusion of the Business

Case and its approval would inform an IDT founding legislation, the review of institutional arrangements such as legal and corporate form, and provide for greater financial security through a considered funding model. The combined effect of the above will ensure the IDT's continued contribution to the national development effort, in the realm of infrastructure development and particularly in terms of social infrastructure construction management and delivery.

11. Organisational Structure

The Board approved a reviewed high-level management structure at its August 2015 sitting. The new structure was however operationalised on 1 April 2016. As a result of transformation processes under way, a number of positions are filled through acting appointments, as reflected in Figure 1.

Figure 1: High-Level Organisational Structure



Part B: Performance Information



Executive Committee



Mr CBJ Pakade
Chief Executive
Officer



Mr A Wakaba:
Acting Chief
Operating Officer



Ms N Mogorosi:
Chief Financial
Officer



Dr S Bhebhe:
Acting Executive
Head Corporate
Services Unit



Mr S Ntsandeni:
Acting Executive
Programme
Management
Services

1. Auditor's Report: Pre-determined Objectives

The 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 *Pre-determined Objectives* heading in the *Report on other legal and regulatory requirements* section of the Auditor's Report.

Refer to page 93 of the Report in the Auditor's Report, published as Part E: Financial Information.

2. Situational Analysis

2.1 Service Delivery Environment

The State faces persistent pressure from its citizens to deliver and sustain socio-economic transformation, growth and development. The following constitute significant socio-economic factors impacting on the work of the IDT and the service delivery environment in general:

- Demographic shifts impacting on high levels of urbanisation and neglect of rural areas;
- High demand for jobs and economic opportunities in general and in the previously disadvantaged communities especially in townships predominantly occupied by blacks, in rural areas, and in informal urban, peri-urban and mining settlements;
- Pressure for new and high demand for social infrastructure especially in areas cited above;
- Growing demand for green social infrastructure

programmes;

- Growing demand for community health/lifestyle facilities;
- Need to integrate connectivity of social infrastructure such as schools, libraries and community centres;
- Low levels of industry-specific skills;
- Eradication of the remaining backlogs in terms of human settlements and ancillary social infrastructure;
- Demand for post-settlement support and facilities such as farming infrastructure e.g. fencing, pack houses, etc.;
- Community demands for localisation of development benefits e.g. emphasis on local procurement of supplies for programmes, use of local suppliers, and the creation and extension of job opportunities to local community members first;
- Demand for programmes that target participation by women, youth and people with disabilities, e.g. contractor development programmes, as vehicles for promoting meaningful, inclusive and sustainable intra-generational prosperity;
- Infrastructure damage or destruction from or exacerbated by climate change and extreme events, challenging development practitioners to develop climate change resilient social infrastructure; and
- Shortages and increased costs of construction materials (leading to a reduction in the number and quality of social infrastructure that can be delivered).

It is recognised that infrastructure rollout is at the heart of government's New Economic Growth Path. Infrastructure development has become one of the lead sectors for developing the necessary economic linkages to drive inclusive economic growth and social development. It is through this sector that the legacy of apartheid spatial

planning could be addressed, especially the integration of rural and urban African areas which have been excluded in the past from national economic development. Infrastructure is not only important for fostering economic growth and higher employment, but also for promoting inclusive growth by providing citizens with the means to improve their own lives and boost their income. Finding innovative ways to respond to the development priorities and transformation agenda of government – especially those focusing on job creation and building sustainable enterprises – remain key considerations.

2.2 Organisational Environment

To remain relevant in the South African development landscape, the IDT is sharpening its focus to not only deliver ready-made development projects, but to pioneer and/or adapt innovative and sustainable solutions to meet the huge development challenges that have been identified in the National Development Plan: Vision 2030 and the many other strategic policies of government. The results of the recent environmental scan suggest that better synergies can be attained between government development priorities and the efforts of a transformed IDT.

The following measures are pursued to ensure that the organisation continues to be relevant to the development aspirations of the people of South Africa:

- Reviewing the service delivery model of the organisation to enable a more comprehensive and integrated service offering to clients;
- Positioning the IDT as a state reservoir for built environment professional skills and competencies;
- Finding sustainable ways to improve working arrangements with government, particularly the

departments of Public Works;

- Implementing measures to safeguard the provision of the IDT's services to government on a sustainable basis;
- Implementing a cost recovery-based funding model to steer the organisation to a self-funding mode.

2.3 Key Policy Developments and Legislative Changes

The State's policy thrust indicates continued commitment to economic transformation. However, the sovereign credit re-rating undertaken by global finance rating agencies is cause for concern. The outlook, influenced mainly by lower demand in the resources sector – external economic and market factors, uncertainty about the sustainability of the generation capacity of Eskom's electricity facilities (whether real or perceived) all combine to present a bleak outlook. The sentiments of the lead rating agencies characterise South Africa as a risky investment climate underpinned by a weak growth rate that is anticipated to be less than 1% for 2016. This has the effect of increasing the cost of government borrowing from global financial institutions, putting a squeeze on the public fiscus and consequently reducing the social infrastructure share of the national budget. The ripple effects go beyond depressed investment in new physical asset (infrastructure facilities). In the long run, the effects will include higher public assets maintenance costs and stagnation in job creation. This, in turn, may lead to further negative effects on the social transformation objectives needed for social cohesion, such as reducing poverty and inequality. While government is responding to this situation in various ways, including prudence in public expenditure involving cuts in infrastructure investments, there have been no changes in the policy environment

relating to the work of the IDT.

2.4 Strategic Outcome-oriented Goals

2.4.1 Programme 1: Integrated Service Delivery

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

Goal Statement 1: The IDT provides integrated development programmes in a cost-effective manner within time, scope and to the required quality.

Strategic Objective 1: Deliver quality social infrastructure on time, within budget and scope.

Objective Statement 1: The IDT's distinctive developmental approach to social infrastructure empowers communities to initiate, receive, own, manage and sustain their own development delivery.

Budget (Projected/Dedicated towards Programme 1):
70% of total operating budget

Table 1: The IDT's Contribution and Alignment to National Development Priority Outcome Areas with Respect to Programme 1

| Outcome Areas | IDT Contribution |
|--|---|
| Improved quality of basic education | Enhancing the quality of life by creating assets and improving access to functional school infrastructure |
| A long and healthy life for all South Africans | Enhancing the quality of life by creating assets and improving access to health infrastructure |
| Decent employment through inclusive economic growth | Enabling economic inclusion and job creation through the IDT's integrated service delivery model |
| Vibrant, equitable and sustainable rural communities and food security for all | Contribute towards the provision of assets and facilitate community capacity to participate in agricultural activities and thus promote food and nutrition security by households and communities |
| Sustainable human settlements and improved quality of household life | Contribute towards the provision of facilities that enable households and communities to access basic services and lead productive lives |
| Environmental assets and natural resources that are well protected and continually enhanced. | Participate in the implementation of programmes focused on preservation and protection of environmental assets to ensure sustainable development |

2.4.2 Programme 2: An effective and Efficient Administration

Strategic Outcome Oriented Goal 2: Effectiveness relates to the IDT's ability to make a meaningful difference to the lives of the country's citizens, and thus meet the objectives of the Shareholder in a cost-efficient manner and as a responsible corporate citizen.

Goal Statement 2: A financially viable compliant, results based, efficient and focused organisation.

Strategic Objective 2: A compliant, results-based,

efficient and focused organisation.

Objective Statement 2: Operating a development agency that retains relevance for the country's development needs and aspirations, and maintaining a clean administration which is committed to the efficient application of resources, compliance with regulations and legislation.

Budget (Projected/Dedicated towards Programme 2):
30% of total operating budget

Table 2: IDT's Contribution and Alignment to National Development Priority Outcome Areas with Respect to Programme 2

| Outcome Areas | IDT Contributions |
|--|---|
| An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship | Encouraging organisational efficiency, effectiveness and compliance |
| A skilled and capable workforce to support an inclusive growth path | Direct and support continuous and targeted human capital development to service the organisation and also to impact on the country's development path |

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

The IDT had ten (10) Key Performance Areas, supported by 18 Key Performance Indicators and 22 pre-determined targets. Eleven (11) targets related to Programme 1, i.e. the outward-focused deliverables to the country. The

remaining 11 targets are inward looking. The number of Programme 2 targets reflects the organisation's commitment to addressing financial viability, governance and compliance gaps, including transforming the organisation into a self-sustainable entity.

3. Performance Score Card

Table 3 below presents the 2015/16 organisational performance against the pre-determined objectives and targets, providing reasons for variance in performance where applicable.

Table 3: 2015/16 Performance Summary

Programme 1 (Weight: 60%)

| | | |
|---|--|---|
| STRATEGIC OUTCOME-ORIENTED GOAL 1 | The IDT contributes to the State's capacity to effectively implement development programmes. | |
| GOAL STATEMENT 1 | The IDT provides integrated development programme services in a cost-effective manner within time, scope and to the required quality | |
| PROGRAMME NAME: Integrated Service Delivery | | |
| STRATEGIC OBJECTIVE 1 | Deliver quality social infrastructure on time, within budget and scope | |
| OBJECTIVE STATEMENT 1 | The IDT's distinctive developmental approach to social infrastructure delivery empowers communities to receive, participate in, own and sustain their own development. | |
| ALIGNMENT TO NATIONAL DEVELOPMENT OUTCOMES | OUTCOME AREAS | IDT CONTRIBUTIONS |
| | Improved quality of basic education | Enhancing the quality of life by creating assets and improving access to functional school infrastructure |
| | A long and healthy life for all South Africans | Enhancing the quality of life by creating assets and improving access to health infrastructure |
| | Decent employment through inclusive economic growth | Enabling economic inclusion and job creation through IDT's integrated service delivery model |

Table 3: 2015/16 Performance Summary continued

| | | |
|---|--|---|
| STRATEGIC OUTCOME-ORIENTED GOAL 1 | The IDT contributes to the State's capacity to effectively implement development programmes. | |
| GOAL STATEMENT 1 | The IDT provides integrated development programme services in a cost-effective manner within time, scope and to the required quality | |
| PROGRAMME NAME: Integrated Service Delivery | | |
| ALIGNMENT TO NATIONAL DEVELOPMENT OUTCOMES | Vibrant, equitable and sustainable rural communities and food security for all | Contribute towards the provision of assets and facilitate community capacity to participate in agricultural activities and thus promote food and nutrition security by households and communities |
| | Sustainable human settlements and improved quality of household life | Contribute towards the provision of facilities that enable households and communities to access basic services and lead productive lives |
| | Environmental assets and natural resources that are well protected and continually enhanced. | Participate in the implementation of programmes focused on preservation and protection of environmental assets to ensure sustainable development |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|---------------------------------|--|------------------|-----------------------|----------------------------|------------------|--------------------|---|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Programme Delivery | No. of government departments supported | 44 | 40 | 42 | 2 | 105% | The number of departments supported remained the same as in 2014/15, despite the cases of withdrawal of portfolio or portions of portfolio as these will affect the 2016/17 financial year agreements. |
| | Value of total programme spend | R6.372bn | R7bn | R4.550bn | -R2.450bn | 65% | A significant drop in the managed business portfolio contributed to programme expenditure coming below the target of R7bn. This reflects the general fiscal challenges faced by a number of client departments. Further, the below-target expenditure reflects the impact of the loss of portfolio in Mpumalanga; loss of the Health portfolio in KZN, and the significant reduction in portfolio in Free State and EC. |
| | No. of Schools New/ Replaced schools completed | 42 | 30 | 18 | -12 | 60% | Budget cuts negatively affected delivery of school projects. 72 schools in EC were placed on hold, 4 schools were withdrawn in FS, while delays in programme funds transfers by some clients impacted on site progress. |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--|---|------------------|-----------------------|----------------------------|------------------|--------------------|---|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Community mobilisation and empowerment | No. of work opportunities created through IDT portfolio | 20 983 | 20 000 | 7 602 | -12 398 | 38% | The reduction in programme spend had a negative impact on job opportunities created. Further, the delay in finalising the MoA with Department of Environmental Affairs had a negative impact on the number of work opportunities to be created in the environmental projects which absorb large numbers of unskilled and semi-skilled labour. |
| | No. of EPWP NSS work opportunities created | 53 268 | 50 000 | 54 155 | 4 155 | 108% | The stability in EPWP emanates from the existence of multi-year contracts (i.e. covering 3 years), with NPO's. The long contracts provide continuity and thus bearing positive results in terms of creation of work opportunities. |
| | No. of EPWP co-operatives, NPO's and CBO's supported | 378 | 350 | 380 | 30 | 109% | |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--|---|-------------------|-------------------------|----------------------------|-------------------------|--------------------|---|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Enterprise and supplier development | % of Weighted BBBEE spend | 67% (R4.287bn) | 65% (R2 957 559 150) | 69.2% (R3 148 705 591) | 4.2% (R191 146 441) | 106% | Empowerment targets achievement is due to a large number of lower-value projects, thus enabling accessibility to emerging contractors, women and youth contractors. |
| | Value of programme spend on contracts awarded to WOMEN contractors as a percentage of programme spend | 27% (R1.727bn) | 20% (R910 018 200) | 20,3% (R922 327 816) | -0,01% (R12 309 616) | 102% | |
| | Value of programme spend on contracts awarded to YOUTH contractors as a percentage of programme spend | 17% (R1.08bn) | 15% (R682 513 650) | 15,3% (R697 414 099) | 0,01% (R14 900 449) | 102% | |
| | % of Women contractors participating in the Contractor Development Programme (CDP) | 67% | 65% | 67% | 2% | 103% | While women participation in the CDP is not a challenge, the awarding of projects to the CDP has remained lower due to most projects having time pressures; hence clients not willing to subject them to the programme. |
| | Value of contracts awarded to contractor development participants as a percentage of programme spend | 3.5% (R225m) | 5% (R227.5m) | 0,1% (R2.9m) | -4.9% | 2% | While only R2.9m was awarded during the 2015/16, R65 171 103 was spent on the CDP participants from contracts awarded during previous years. |



Entrance of the Newly constructed labour ward at Letaba Hospital - Limpopo



Ward in Letaba Hospital - Limpopo

Programme 2 (Weight: 40%)

| | | |
|--|--|---|
| STRATEGIC OUTCOME-ORIENTED GOAL 2 | An effective and efficient administration | |
| GOAL STATEMENT 2 | The IDT is a relevant, effective, efficient and sustainable organisation | |
| PROGRAMME NAME: Administration | | |
| STRATEGIC OBJECTIVE 2 | A compliant, results-based, efficient and focused organisation | |
| OBJECTIVE STATEMENT 2 | Operating a development agency that retains relevance for the country's development needs and aspirations, and maintaining a clean administration which is committed to the efficient application of resources, compliance with regulations and legislation. | |
| ALIGNMENT TO NATIONAL DEVELOPMENT OUTCOMES | OUTCOME AREAS | IDT CONTRIBUTIONS |
| | A skilled and capable workforce to support an inclusive growth path | Encouraging organisational efficiency, effectiveness and compliance |
| | | Direct and support continuous and targeted human capital development to service the organisation and also to impact on the country's development path |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--|--|--------------------------|--|--|---------------------|--|---|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Corporate Governance | Effective financial and non-financial compliance | Disclaimed audit by AGSA | Financial audit outcome: unqualified | Final audit outcome to be determined after the 2015/16 audit report. Continuous monitoring of the detailed Audit Action Plan is undertaken with special focus on the qualifying audit matters. | -60% | Final audit outcome: disclaimed audit opinion Performance assessed at 40% | Audit Action Plan will be implemented to address underlying factors that resulted in the disclaimer for the 2015/16 financial year. Performance evidence is reviewed on a continuous basis by the Monitoring and Evaluation function and Internal Audit. Financial reporting shortcomings have had an impact on the reported performance information. |
| | | | Performance audit outcome: unqualified | Performance audit outcome to be determined after the issue of the 2015/16 audit report. | -40% | Performance audit outcome: qualified Performance assessed at 60%. | |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--|--|---|---|--|---------------------|------------------------------------|--|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Risk Management | Effective risk manage- ment | Risk man- agement framework implement- ed | Enterprise risk management strategy and plan in place and imple- mented. | Enterprise risk management strategy and plan developed and tabled to management. Board approval was however outstanding at year-end. Currently, the existing approved Strategy and Plan still operational. Risk Mitigation Plans implemented and reported. | -30% | Assessed performance at 70%. | The risk management strategy and plan were reviewed and presented to the Risk Management Committee (RMC), and the Management Executive Committee (MEXCO). The existing approved Enterprise risk management strategy and plan is being implemented, pending the approval of the reviewed instruments. Although the risk management strategy and plan is in place, the risk management culture has not reached maturity yet. The monitoring and timely updating of risk registers remains a challenge in some functions. |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|------------------------------------|--|---------------------------------|---|---|---------------------|-----------------------------|---|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Human Capital Management | Effective human capital management | Human resource plan implemented | Human capital plan approved and implemented | The Human Capital Plan for 2015/16 constitutes the final year of the 2013-16 Human Capital Strategy. The plan was approved by EXCO in August 2015. The Plan was workshopped with senior management at the Board strategy retreat. The Plan has been the basis of the HR operational activities for 2015/16. | -10% | Assessed performance at 90% | As at year-end, arrangements were underway to facilitate popularisation of the Human Capital Plan with a number of management positions filled while recruitment for some had commenced. The 2015/16 Employment Equity Plan was approved by the Board in Q1 of 2015/16. |
| | | | Vacancy rate for funded positions less than 15% | Vacancy rate for funded positions: 9%. | 6% | 167% | 355 occupied positions out of a total of 390 positions budgeted for. This translates to an occupancy rate of 91% and a vacancy rate of 9%. |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--------------------------------------|---|--|--|--|------------------|------------------------------|--|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Organisational Sustainability | Average management fee billed and collected | The management fees billed decreased from R402 852 in 2013/14 to R376 408 in 2014/15 i.e 3.3% decrease. Performance determined to be at 70% level. | Annual average management fee billed: 6.3% | Actual average management fee billed: 5%. (R227.5m/ R4.550bn) | -1.3% | 79.4% | Timely and accurate billing has been a major challenge for the entity. The Entity's management fee billing system is being extensively overhauled to make the process more efficient. |
| | | Value of management fees recovered: R376.408m | Annual management fee collection rate: 80% | Approximately 80% of the current financial year's billing has been collected, representing 88% performance level of achievement. The bulk of the processed impairment relates to prior year billing. | -5% | Assessed performance at 88% | Management fee collection remains a challenge and a major contributor to the risk of financial sustainability. With improvement in billing systems, collection is expected to improve. |
| | Cost- and service-effective structure | Compliance with the relevant legislation and regulations: effective performance | Refocus Organisational Structure developed and approved. | The Refocused Organisational Structure was developed and approved by the Board. The approved structure however is for top management i.e. level 1 to 4. | -10%. | Assessed performance at 90%. | Detailed structure review for lower levels still pending at year end. Top Management Structure approved by the Board in Q3 of 2015/16. |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--|--|---------------------------|--|--|---------------------|-----------------------|--|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Operational Efficiency | % Corporate Efficiency Ratio | % Efficiency Ratio: 6% | Annual Corporate Ef- ficiency Ratio: 6% | Actual Corpo- rate Efficiency Ratio: 7.8% (R356 286/ R4,550bn) | -1.3% | 76.9% | <p>Corporate efficiency ratio exceeded the targeted level of 6% largely due to lower programme expenditure levels. A relation exists between the 76.9% performance level on the efficiency ratio and the 65% performance level on programme spend.</p> <p>Savings in overhead expenditure and operating efficiency however impact the corporate efficiency ratio positively.</p> |

| Corporate: Key Performance Area | Corporate: Key Performance Indicators | Baseline 2014/15 | Annual Target 2015/16 | Performance | | | Comments |
|--|---|---|--|---|---------------------|---|---|
| | | | | Actual Performance 2015/16 | Variance 2015/16 | % Achieved 2015/16 | |
| Communi- cations | Effective Communi- cations and Stakeholder Manage- ment Strategy | Effective Communi- cations and Stakeholder Manage- ment Strat- egy imple- mented. | Corporate communi- cation plan ap- proved and implemented. | Corporate communi- cation plan ap- proved and implemented. | 0% | Assessed per- formance at 100% based on work undertaken. | Plan implemented, with the following units of work high- lighted: <ul style="list-style-type: none"> • Branding of the organisation in different platforms • Media Relations and enquiries • Parliamentary liaison work • Communications and Information Platforms • Events management support • The website upgrade |
| | | | At least 3 EXCO ap- proved com- prehensive profile build- ing corpo- rate media campaigns undertaken in electron- ic and print media. | 5 corporate profile build- ing cam- paigns were undertaken during the financial year using various media plat- forms | 0% | Assessed performance at more than 100% based on work un- dertaken. | IDT service offering advertised and organisational rele- vance and impact communicated through various me- dia platforms. |

3.1 Actual Performance against the Pre-determined Targets

3.1.1 Performance Overview

Despite the harsh operating environment, the IDT continued to strive for effective delivery. The entity managed to deliver on 13 (i.e. 59%) of its 22 targets. The organisation partially achieved six (6) (i.e. 27.3%) and

missed three (3) targets (i.e. 13.6%), performing below the minimum performance threshold level.

Table 4 below presents the approved IDT corporate performance standards for predetermined objectives and targets. The standards are used to determine the level of performance for the organisation.

Table 4: Corporate Performance Standards and Performance

| Performance Scores | Relative Performance Level in % terms | Strategic Objective 1 | Strategic Objective 2 | Performance Description |
|--------------------|---------------------------------------|-----------------------|-----------------------|---------------------------|
| 1 | 0-50 | 2 | 1 | Target not achieved |
| 2 | 51-85 | 2 | 4 | Target partially achieved |
| 3 | 86-115 | 7 | 5 | Target achieved |
| 4 | 116-130 | 0 | 0 | Target exceeded |
| 5 | 131+ | 0 | 1 | Target over achieved |
| Total | | 11 | 11 | |

In 2015/16, the value of programme spend on social infrastructure facilities constituted 88% of the R4,550bn total programme spend as highlighted in Table 5 and Figure 4. The persistent service delivery discontent amongst communities is added impetus for the public sector to intensify efforts to increase service delivery outputs. Infrastructure is, as in the previous 6 years, at the centre of the public sector-driven economic growth and development drive of the government.

3.1.2 Programme 1

Achievements have been made in the following areas:

3.1.2.1 42 government departments were supported against a target of 40 (105% level of achievement);

3.1.2.2 R3.14bn (69.2%) against a target of 65% of programme expenditure for weighted value of BBBEE spend was achieved, reflecting a 106% level of achievement;

3.1.2.3 The value of contracts awarded to women contractors amounted to R922m, constituting 20.3% against a target of 20% of actual programme spend (i.e. R4.550bn), representing a 101% level of performance;

3.1.2.4 The value of contracts awarded to youth contractors amounted to R697m, i.e. 15.3% against a target of 15% of actual programme spend, representing a 102% level of performance relative to the pre-determined target;

3.1.2.5 54 155 EPWP: NSS work opportunities were created as against the target of 50 000. This represents a 108% level of performance;

3.1.2.6 380 Co-operatives, NPO's, NGOs & CBO's (contracted to the EPWP NSS) supported against a target of 350, representing a 109% level of performance;

3.1.2.7 67% (74) women contractors are participating in the Contractor Development Programme (CDP) against a target of 65% (72), putting the performance level at 103%.

Partial achievements have been recorded with respect to the following Programme 1 targets:

3.1.2.8 R4.550bn in total programme expenditure was recorded against a target of R7bn. This

represents a 65% level of performance;

3.1.2.9 18 new/replacement schools completed against a target of 30, denoting a 60% achievement level.

Under-achievements have been recorded with respect to the following targets under Programme 1:

3.1.2.10 7 602 IDT work opportunities created against the target of 20 000. This denotes a 38% achievement level;

3.1.2.11 The value of contracts awarded to contractors participating in the CDP amounted to R2.9m i.e. 0.1% against a target of 5% of actual programme expenditure. This represents a 2% achievement level.

Rear View of the Mpumalanga High Court

Figure 2: Expenditure Performance Trend; 2012/13 – 2015/16

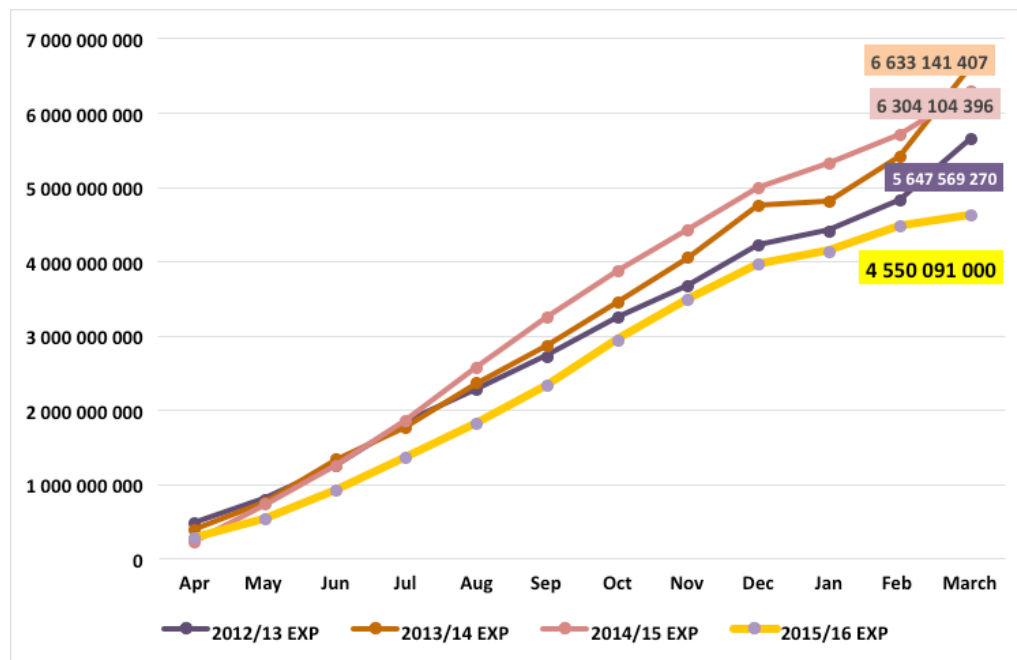


Table 5 and Figure 3 provide a summary of the programme spend per programme portfolio showing the diversity of the delivered programmes.

Table 5: Expenditure Performance within Programme Categories

| Programme Categories | Expenditure | % Contribution |
|---------------------------------------|----------------------|----------------|
| Environmental Interventions | 13 650 273 | 0.30% |
| Food Security Initiatives | 18 200 364 | 0.40% |
| Health Care Facilities | 819 016 380 | 18.00% |
| Justice and Correctional Services | 846 316 926 | 18.60% |
| EPWP NSS: Public Employment | 500 510 010 | 11.00% |
| Education Facilities: School Building | 2 074 841 496 | 45.60% |
| Sports, Arts and Culture Facilities | 22 750 455 | 0.50% |
| Water & Sanitation Facilities | 141 052 821 | 3.10% |
| Welfare Support Facilities | 113 752 275 | 2.50% |
| Grand Total | 4 550 091 000 | 100.00% |



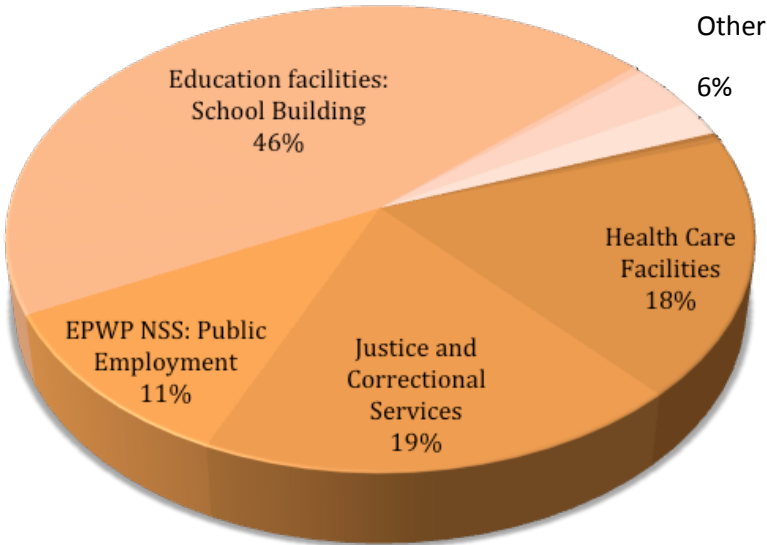
Old classroom at Beitbridge Primary School, Limpopo



Learners in a new classroom at Beitbridge Primary School, Limpopo

Figure 3: Portfolio Spend per Programme

Expenditure : Programme Categories



3.1.3. Programme 2

In terms of Programme 2, performance is summarised as follows:

- 3.1.3.1. Compliance and Risk Management: The Enterprise Risk Management Strategy and Plan are in place and implemented. The risk management strategy and plan were reviewed and presented to the Risk Management Committee. These instruments were however not tabled to the Board as at year-end. Assessed performance level at 70% of target;
- 3.1.3.2. The Human Capital Plan for 2015/16 which constitutes the final year of the 2013-16 Human Capital Strategy was approved by EXCO in

August 2015. It has been the basis of the HR operational activities for 2015/16. The 2015/16 Employment Equity Plan was approved by the Board in Q1 of 2015/16;

- 3.1.3.3. The IDT has an approved staff establishment of 441. For the 2015/16 financial year, 390 positions were budgeted for and of these 355 were occupied as at the end of March 2016, an occupancy rate of 91% (or, alternatively, a vacancy rate of 9%). A vacancy rate of less than 15% was the pre-determined target for the financial year under review. The assessed performance level is 167%;
- 3.1.3.4. The management fees billed for the year amounted to R227.5m against the target of R441m. The fees billed translate to an average

management fee rate of 5% (R2275m/R4 550bn). This denotes a 79.4% performance level when compared to the target of 6.3%. This is concerning as the financial viability of the organisation is dependent, amongst other factors, on the level of its cost recovery;

3.1.3.5. Management Fee Collection Rate: approximately 80% of the current financial year's billing has been collected, representing 88% performance level;

3.1.3.6. A Refocused Organisational Structure was developed and approved for top management. Full operationalisation of the structure began on April 1, 2016. Performance on this target was assessed to be at 90%;

3.1.3.7. The actual Corporate Efficiency rate is 7.8% against a target of 6%, representing a 76.9% performance level;

3.1.3.8. The Corporate Communication Plan was approved by EXCO. The assessed performance is at 100%, based on work undertaken;

3.1.3.9. Five (5) organisational profile building campaigns were implemented against a minimum target of three (3). This represents a more-than-100% level of achievement.

Key under achievements relating to Programme 2:

3.1.3.10 Notwithstanding the amount of work that has been undertaken to date, performance with respect to the audit-related targets, i.e. an unqualified audit outcome for the 2015/16 financial year for financial and performance information was not positive. The IDT obtained a

disclaimed audit opinion. The key matters raised by the audit relate to the following:

- i) Lack of sufficient appropriate audit evidence regarding balances relating to programme reserves and liabilities;
- ii) Lack of sufficient appropriate audit evidence regarding revenue and trade and other receivables;
- iii) Prior period areas not adequately disclosed.

3.2. Strategy to Overcome Areas of Under-performance

Areas of under-performance have been cited in 3.1.2 and 3.1.3. Table 6 outlines measures that will be undertaken to address under-performance highlighted in Section 3.1.

The organisation continuously invests in improving its core competencies and the stakeholder management function as the success of the remedial measures hinges on the interplay of these factors.

Table 6: Measures to be Employed to Address Under-Performance with Respect to Specific Targets

| No. | Target | Measures |
|-----|--|---|
| 1 | Number of work opportunities created through the IDT Portfolio: 7 602 against a target of 20 000 | The organisation is actively engaging client departments to commit to job creation objectives of the State by adopting EPWP projects |
| 2 | Percentage of contracts awarded to contractor development participants as a percentage of programme spend: 0.1% against a target of 5% | Concerted effort will be directed towards getting client departments to support the Contractor Development Programme. The programme will also be evaluated with improvements effected if necessary. |
| 3 | Disclaimed audit opinion as against an unqualified audit opinion | A Comprehensive Audit Action Plan will be developed by management to address the root causes of the qualified audit opinion |

3.3. Linking Performance with Budgets

The organisation's total overhead expenditure amounted to R356.3m of which approximately 70% and 30% were spent with respect to Programme 1 and 2 respectively, to deliver programmes worth R4 550bn as shown in Table 7.

The five main cost drivers behind the overhead 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 organisation. The IDT provides and is paid for specialist skills, mainly programme management, supply chain management and construction project management. Furthermore, programme and project management personnel travelling to and from sites – and their accommodation is inadvertently part of ensuring value to clients.

Table 7: Budgets and Expenditure by Organisational Strategic Objectives as at 31 March 2016

| Strategic Objective | Ratio | Actual March 2016 R'000 | Budget March 2016 R'000 |
|--|-------------|-------------------------------|-------------------------------|
| Deliver quality social infrastructure on time, within budget and scope | 70% | R249 400 | R221 658 |
| A compliant, results-based, efficient and focused organisation | 30% | R106 886 | R94 997 |
| Total | 100% | R356 286 | R316 655 |

Table 8: Major Cost Drivers of Overheads

| Cost category | YTD Actual (R'000) | Percentage of Overhead |
|--|-----------------------|---------------------------|
| Salaries | R216 142 | 60.7% |
| Consultancy fees | R11 838 | 3.3% |
| Travel | R15 414 | 4.3% |
| Legal fees | R11 688 | 3.3% |
| Rental of offices | R12 891 | 3.6% |
| Total Expenditure on key cost drivers | R267 973 | 75.2% |
| Total Operational Expenditure | R356 286 | 100% |

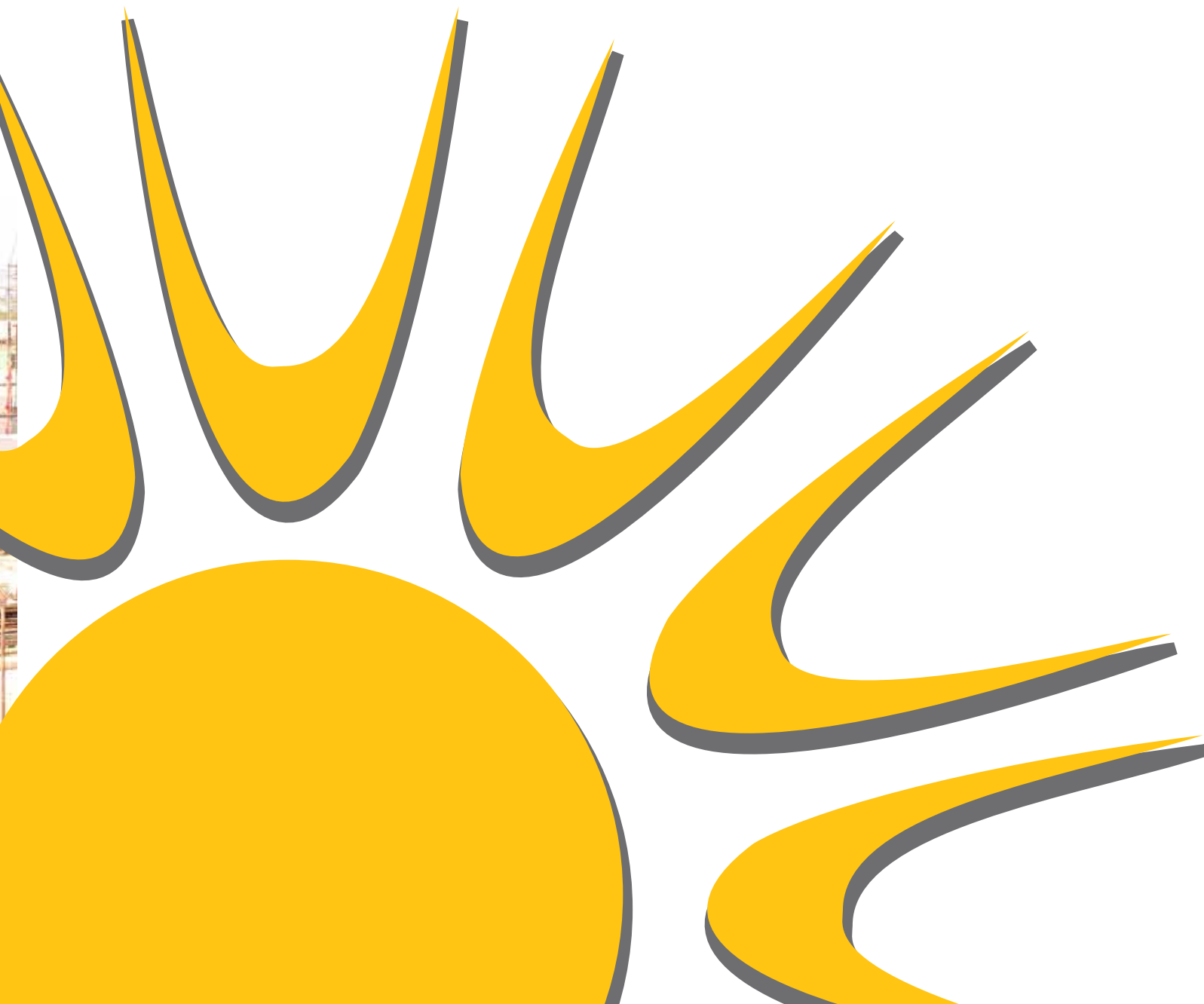
The cost drivers detailed in Table 8 account for over 75% of total overhead expenditure. Overhead expenditure is the investment that the organisation makes in order to deliver the multi-billion rands worth of programmes.

The efficiency ratio of 7.8%, demonstrates the level of efficiency with which the IDT undertakes its business i.e. that it spends R7.80 to deliver work worth R100.



Construction of the Plettenberg Bay Court - Western Cape

Part C: Governance



Board of Trustees



Dr S Fikeni

Chairperson of the Board



Mr T Motswaledi

Deputy Chairperson of the Board



Dr G Zulu-Kabanyane



Ms Z Mdhladhla



Mr Z Zitha



Dr L Zitha



Mr T Adams



Mr R Patel



Ms T Mpumlwana



Ms P Nkomo



Mr B Matutle



Mr M Mlengana



Mr V Skosana

Company Secretary

1. Introduction

Maintenance of an effective governance system is perceived as not just a compliance matter within the IDT, but an indication of the entity's commitment to be an accountable corporate citizen to the Shareholder and the country's citizens. The following sections are indicative highlights on the organisation's efforts to maintain and strengthen its governance practices in line with statutory parameters, the Deed of Trust, the Shareholder's Compact and underlying corporate values.

2. Portfolio Committee

The IDT reports to Parliament through the Portfolio Committee on Public Works (PCPW). The compliance record of the organisation is covered under Section 6.

3. Executive Authority

The IDT is classified as a Schedule 2 Public Entity under the Public Finance Management Act and is wholly owned by government. The Shareholder representative is the Minister of Public Works. The IDT reports to the Ministry of Public Works and accounts for its affairs to Parliament through the Minister of Public Works as its Executive Authority.

Through the Shareholder's Compact, the Minister holds the Board of Trustees accountable for delivering on its mandate. The IDT is regulated through Trust Deed No.669/91. In accordance with the Trust Deed, the appointment of the Board is the responsibility of the Shareholder.

The process of redefining the new mandate and finalising

the Business Case of the IDT was given impetus by the Shareholder in the reporting period when it was agreed that the organisation will continue for the next three years to deliver social infrastructure in the current format. In a parallel process, the Business Case engagements and approvals are underway. Subsequent to this positive development, the Board convened a successful strategy workshop on 18 and 19 September 2015 where the Minister delivered a keynote address. The Board strategic session reviewed the IDT 2015/16 - 2019/20 Strategic Plan in preparation for the development of the 2016/17 Annual Performance Plan (APP).

4. The Board

4.1 Introduction

In compliance with the PFMA and the Shareholder's Compact, the Minister appointed a Board of Trustees to serve from 1 July 2012. 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 Compact Agreement.

4.2 Functioning of the Board

Since its appointment, the primary objective of the Board has been to speed up and conclude the process of providing certainty on the issues of the IDT's mandate and funding. The Board has overall responsibility for the strategic direction of the IDT in fulfilling its mandate. It is committed to the application of sound corporate governance principles as enshrined in the King III report on Corporate Governance. To this end the Board continuously exercises its oversight responsibilities over the organisation. 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 regards to different legislative requirements as well as main recommendations of King III.

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

The Board considered and approved an interim senior management structure aimed at creating stability in the leadership of the organisation. This is an interim measure as the final structure is pending the finalisation of the Business Case of the IDT.

Table 9 provides a summary of the Board and Committee meetings and other engagements such as workshops undertaken by the Board.

Table 9: Consolidated Board Attendance (Meetings and Workshops): 1 April 2015 to 31 March 2016

| Trustees | Board | Board EXCO | Strategy & Policy Workshop | Audit & Risk (A&R) | Finance | HR & CS | SP & P | Joint Finance and A&R |
|------------------------------|-------|------------|----------------------------|--------------------|---------|---------|--------|-----------------------|
| Total meetings | 4 | 8 | 3 | 8 | 4 | 5 | 4 | 2 |
| Dr S Fikeni | 4 | 7 | 2 | | | | | |
| Mr T Motswaledi ¹ | 4 | 8 | 3 | | | 5 | | |
| Mr Z Zitha ² | 4 | 8 | 3 | 8 | 4 | | | 2 |
| Ms T Mpumlwana ³ | 4 | 5 | 2 | | | 2 | 4 | |
| Mr T Adams | 2 | | 1 | | | | 1 | |
| Mr B Matutle | 2 | | 0 | | 3 | | 0 | 2 |
| Mr M Mlengana | 4 | | 2 | | 4 | | 3 | 1 |
| Ms P Nkomo | 3 | | 2 | 7 | 4 | | | 2 |
| Mr R Patel | 4 | | 3 | 7 | | 5 | | 2 |
| Ms Z Mdhladhla | 3 | | 2 | | 4 | 4 | | 2 |
| Dr G Zulu-Kabanyane | 4 | | 3 | 8 | | 5 | 4 | 1 |
| Dr L Zitha | 3 | | 2 | | 2 | | | |
| Ms S Boulton ⁴ | 4 | 8 | 3 | 8 | | | | 2 |

1. Deputy Chairperson and Chairperson of Human Resources and Corporate Services Committee

2. Chairperson of the Finance Committee

3. Chairperson of the Strategic Planning and Programmes Committee

4. Independent Chairperson of the Audit and Risk Committee. Only attends Board meetings at the invitation of the Board.

4.3 Board Charter

The Board and its sub-committees operate within the parameters of 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 Compact. Drawing from the purpose, the Board's primary responsibilities are giving strategic direction to the IDT; identifying key risk areas and key performance indicators of 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 on an annual basis, a process which was successfully undertaken and concluded during the financial year.

4.4 Composition of the Board

The Board consists of non-executive trustees who are drawn from diverse backgrounds and who pool their varied competencies. The current Board was appointed in July 2012, for a four-year term, and consists of the following members:

- Dr Somadoda Fikeni, Board Chairperson

- Mr Tlhotse Motswaledi, Deputy Chairperson and Chairperson of the Human Resources and Corporate Services Committee
- Mr Butcher Matutle; Executive Authority representative
- Ms Thoko Mpumlwana; Chairperson of the Strategic Planning and Programmes Committee
- Mr Zakhele Zitha; Chairperson of the Finance Committee
- Ms Zandile Mdhladhla
- Mr Rashid Patel
- Mr Michael Mlengana
- Ms Phelisa Nkomo
- Dr Gcwalisile Zulu-Kabanyane
- Mr Theo Adams⁵
- Dr L Zitha⁶

4.5 Board Committees

The Board transacts its business through 5 key Committees, outlined below in terms of their activities and impact during the year, before considering and resolving on referred matters.

4.5.1. Strategic Planning & Programmes Committee

The Strategic Planning and Programmes Committee (SP&P) has adopted formal terms of reference which were approved by the Board and has conducted its business in line with the terms of reference, discharging all its responsibilities as contained therein. The main function of the SP&P is to assess and recommend new business and corporate strategies to the Board. The Committee's responsibilities include:

⁵ Appointed from 27 March 2015

⁶ Appointed from 27 March 2015

- Consideration and recommendation of the organisation's strategy and recommendation thereof to the Board;
- Review of the strategic positioning of the IDT;
- Tracking the organisation's performance against set targets;
- Tracking the performance of core business (Development Services Unit and Office of the CEO) against set objectives;
- Providing input to the Board on overall performance of the organisation against set objectives.

The Strategic Planning and Programmes Committee's focus relates to overseeing the IDT's strategic planning and programmes. The Committee met as planned and as per the approved Corporate Calendar, and executed its business in line with its terms of reference. The agenda of its meetings included the following:

- Recommendation for Board's approval the 2014/15 year-end Corporate Performance Report;
- The review and approval of the mid-year 2015/16 performance reports of the Development Services Unit (DSU) and the Office of the CEO which were subsequently approved, together with their respective performance scores;
- Consideration of 2016/17 Environmental Scan Report and draft Strategy Proposals, subsequently approved and recommended to the Board; and
- Considering the 2016/17 Annual Performance Plan and subsequently recommending the same for Board approval. The 2015/16 - 2019/20 Strategic Plan, encompassing the 2016/17 Annual Performance Plan and the 2016/17 - 2018/19 Budget, was subsequently approved and submitted to the Executive Authority and thereafter presented to the Parliamentary Portfolio Committee for Public Works.

4.5.2. Finance Committee

The Finance Committee (FINCOM) has adopted formal terms of reference which were approved by the Board and has conducted its business in line with these terms of reference, discharging all its responsibilities as contained therein. These are summarised as:

- To review the annual financial statements and recommend them for approval by the Board;
- To consider the budgets presented to the Committee and make recommendations to the Board;
- To consider investment matters in conjunction with the Chief Executive Officer and the Chief Financial Officer;
- To consider financial reports of the IDT, i.e. the financial review, the quarterly performance reports of the Financial Services Unit and the corporate budget.

The Finance Committee provided the necessary oversight during the reporting period, examining and providing strategic guidance to the Financial Services Unit and for related financial activities. These included oversight on transformation of the IDT operations towards a self-funding mode and over the cost containment strategy implementation. The financial review, which provides an update on the actual spending against the approved budgets with explanations for the deviations, was considered on a quarterly basis. The Committee recommended the approval by the Board of the IDT budget for submission to the National Treasury processes of developing Estimates of National Expenditure.

In order to address the capacity constraints experienced by the Financial Services Unit, some of which were the contributors to the disclaimer audit opinion in the 2014/15 financial year, the Committee recommended to the Board the need for enhancement of human resources

in the Unit. The Board further approved and mandated the CEO to expedite the engagement of a financial technical support team to assist in addressing the root cause of the audit disclaimer.

4.5.3 Human Resources and Corporate Services Committee

The Human Resources and Corporate Services Committee (HR&CS) has adopted formal terms of reference which were approved by the Board and has conducted its business in line with the terms of reference, discharging all its responsibilities as contained therein. The Committee is mandated to assist the Board in examining all corporate services matters which include Human Resources, Information Technology and Legal Services. The HR&CS:

- Approves business plans, budgets, quarterly, half-yearly and annual performance reports and performance assessment of the Units it oversees;
- Considers the annual salary negotiations mandate for Bargaining Unit staff and makes recommendations to the Board EXCO in this regard; and
- Seeks to align organisation's policies with its overall strategic objectives.

The Human Resources and Corporate Services Committee met as planned and considered the 2014/15 year-end performance report, and the 2015/16 quarterly reports of the Corporate Services Unit. The Committee, on a quarterly basis, recommended and advised the Board on the filling of programme-related positions, critical non-programme positions and the creation of new roles to ensure that operations, compliance and other critical functions are properly resourced to execute their respective mandates. The Committee's work assists the Board and the IDT's Executive Committee to oversee

the capacitation of the organisation. Capacity had been stretched due to the non-filling of positions that resulted from concerns over the financial viability of the organisation, and the uncertainty occasioned by the prolonged conclusion of the IDT's revised Business Case.

The organisational structure review was initiated and a revised interim senior management level structure concluded and approved. It is envisaged that the detailed organisational structure review process will be completed in the first half of the 2016/17 financial year. Given that the Business Case process is still underway, the structure review process is considered interim as this process will need to be revisited once the Business Case is approved. Table 14 presents the attendance record of the HR&CS Committee meetings.

The Committee met to consider HR policies, and directed a Board policy workshop aimed at guiding the review of the IDT's human capital policies. The recommendations relating to the policies reviewed are considered and implemented incrementally.

4.5.4 Audit and Risk Committee

The Audit and Risk Committee (ARCO) provides oversight of the combined assurance providers, i.e. the external audit, internal audit and management. ARCO met as per the approved Corporate Calendar and provided oversight of the compliance imperatives applicable for the 2015/16 financial year, in line with the approved charter and its schedule of duties. The Independent Chairperson participated in the various board meetings and followed up on matters assigned by the Board for investigation and review.

The Committee attended to the quarterly reporting on risk management, the litigation report and the

quarterly Executive Authority Report which is submitted to the Department of Public Works. The Committee also exercised oversight on Information Technology Governance as well as monitored the implementation of the audit action plan. The audit action plan was used to track progress in implementing measures to address audit findings raised by the Auditor-General South Africa in the 2014/15 audit.

The detailed report of the Audit and Risk Committee is presented in the Annual Financial Statements section.

4.5.5 Board Executive Committee

The Board Executive Committee (Board EXCO) has adopted formal terms of reference which were approved by the Board and has conducted its business in line with the terms of reference, discharging all its responsibilities as contained therein. This committee fulfils the responsibility of the remuneration committee to ensure that appropriate remuneration practices – for top management and other levels in the organisation – are in place and consistently applied. Its fundamental purpose is to support the Board of Trustees by making recommendations in respect of the remuneration of the Chief Executive Officer and members of senior management, and the fees and/or honoraria of Board members and external members. Specifically the committee:

- Oversees the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- Reviews the outcomes of the implementation of the remuneration policy to ascertain that the set objectives are being achieved; and
- Attends to urgent matters and issues that are of strategic importance (delegated and/or not

delegated to committees) in-between Board meetings.

The number of Board-EXCO meetings was high, relative to the annual target, due to a variety of matters. Major issues related to the need to address financial governance gaps and the threat of financial viability.

The Board EXCO also met to institute action on various matters relating to allegations of corruption, fraud and mal-administration. Some of these matters were investigated internally and others externally, and reports were processed accordingly with actions taken against implicated personnel where applicable.

4.5.6 Executive Management Committee and Other Management Committees

During the period under review, the Executive Management Committee (EXCO), Management Committee (MANCO) and various governance-related committees met as per the approved Corporate Calendar. EXCO held formal meetings on a fortnightly basis and as and when necessary. In addition, the Policy Management Committee met as per its scheduled meetings to consider and recommend policies for review and approval to the appropriate governance structure. The Risk Management Committee, chaired by the CEO and reporting to the Audit and Risk Committee, met quarterly to recommend to the Audit and Risk Committee risk reports as per its approved charter. The Risk Management Committee has the responsibility of co-ordinating the implementation of the organisation's Risk Management Strategy.

4.6 Remuneration of Board Members

The remuneration of the Board of Trustees takes into

consideration the Trustees' required competencies and the scope of work of the Board, including the number of meetings. Trustees receive a fixed quarterly retainer. The Chairperson and Deputy Chairperson receive slightly higher amounts based on their extended duties on the Board. In addition to the fixed remuneration, Trustees receive an attendance fee for the meetings scheduled as per the approved corporate calendar and *ad hoc* meetings arranged on a needs basis.

Expenses in connection with Board and Committee meetings are reimbursed on submission of valid claims and in line with approved IDT policies. The Board remuneration is disclosed, as stipulated by the National Treasury, in the Annual Report guidelines. Board remuneration details are provided on page 123 of this Annual Report.

4.7. Company Secretary

The Board of Trustees has access to the advice and guidance of the Company Secretary who guides the Trustees on how to execute their duties, responsibilities and powers in line with applicable legislative and regulatory framework and in the interests of the organisation and its stakeholders. The Company Secretary is also responsible for induction of new Trustees to ensure that they understand their fiduciary duties and other trustee responsibilities. The induction also includes a briefing on the organisation's governance structure, operations, policies and operational matters, in order to enable inductees to fulfil their oversight duties and responsibilities.

5. Risk Management

The IDT, guided by the PFMA, King III Code on Corporate Governance and the Public Audit Act, developed its

Enterprise Risk Management Policy and Framework which addresses the structures, processes and standards that are implemented to manage risks in the organisation. The Audit and Risk Committee of the Board of Trustees has the overall responsibility of ensuring the organisation has identified the key risks facing it and that a strategy to manage those risks is implemented. The outcome of the risk assessment informs the rolling three-yearly and annual internal audit plans that are 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:

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

The Risk Management Committee, chaired by the Chief Executive Officer and reporting to the Audit and Risk Committee, 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 Lack of a Confirmed Reviewed Mandate

Lack of a confirmed reviewed mandate has led to delays in the conclusion of a review of the business model for the organisation. While there is a clear understanding that the Executive Authority would like to see the IDT playing a lead role in social infrastructure delivery, the lack of a firm decision on the matter creates difficulties with respect to the resourcing of the organisation. Furthermore, the prolonged transformation has created anxiety amongst some of the client departments who are uncertain about the future of the organisation, giving rise to the following:

- i) Impaired organisational performance;
- ii) Low organisational esteem/reputation;
- iii) Negative impact on long-term strategic planning.

To counter the above consequences, the following measures have been implemented to address the negative repercussions:

- a) Provision of technical support to the Department of Public Works in the development of a long-term sustainability Business Case, including formulating a protocol to govern allocation of an annual business portfolio to the IDT;
- b) Development of a turnaround strategy to refocus the organisation and to safeguard the immediate-to long-term financial viability of the organisation; and

- c) Participation of the Board Chair and Deputy Chair in the task team convened by the Executive Authority to address the IDT's long-term sustainability.

5.2 Loss of Clients and Business Portfolio

Uncertainty over the IDT's future has had far-reaching repercussions in terms of the security of business portfolio. Some provincial clients have incrementally withheld or withdrawn their business portfolio. Faced with uncertainty, the staff turnover rate has increased from approximately 7% six years ago to 10.4% in the 2015/16 financial year, with 36 employees terminated their services. This has had a ripple effect: programme management capacity has been reduced, resulting in below-expected programme and project management service standards that saw some clients withdraw business. To avert or reduce the damage to the image of the organisation and to safeguard operational viability, the Trust is reviewing its service delivery process to address concerns from the client departments and provincial leadership. Interventions in this regard include:

- i) Dedicated stakeholder management support to support regions by Executives;
- ii) Active participation of the Board in client relations management and in business development;
- iii) Improving SCM processes to maximise local beneficiation and strengthening of local empowerment; and
- iv) Review of key delivery function processes to improve on cost efficiency and effectiveness.

5.3 Negative Audit Outcome

The organisation's stretched capacity due to the growth in programme portfolio over the years, without a corresponding review of human resource and systems, resulted in a negative effect on financial governance and internal controls. The result of this, among other impacts, has been the disclaimed audit opinion for the 2015/16 financial year. To address these concerns, the following measures, among others, will be instituted:

- i) Implementation and close monitoring of the audit action plan;
- ii) Review of the financial services processes and

procedures; and

- iii) Addressing human resources capacity constraints in critical functions, e.g. SCM, Finance and Compliance and Risk management.

6. 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 10 provides a summary of the compliance with respect to submission of various material and presentation to appropriate accountability forums.

Table 10: Compliance Record for the 2015/16 Financial Year

| Dates | Document | Submitted to/Presentation |
|-------------------|--|---|
| 30 April 2015 | 2014/15 Year-end Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 31 May 2015 | 2014/15 Unaudited Annual Financial Statements | Auditor-General South Africa for regulatory and performance auditing, National Treasury and Department of Public Works for information and compliance |
| 30 June 2015 | 2014/15 Q1 Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 30 September 2015 | 2014/15 Annual Report | 2014/15 Annual Report submission to the Executive Authority for submission to Parliament |
| 31 October 2015 | 2015/16 Q2 Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 31 January 2016 | 2015/16 Q3 Performance Report to the Executive Authority | Office of the Minister of Public Works |
| 29 February 2016 | 2016/17 Annual Performance Plan submitted to the Executive Authority for tabling in Parliament | Office of the Minister of Public Works |

7. Anti-Fraud and Corruption

In April 1999, the National Treasury issued the Treasury Regulations to the PFMA, and these were formally

operative from June 2000. Treasury Regulation 29.1.1 (amended April 2001) requires a Public Entity such as the Independent Development Trust 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 stipulate the relevance of fraud, corruption and misconduct 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 applied in the pursuit of its mandate. The IDT has zero tolerance of fraud. The fraud policy and fraud prevention is being 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. Stern action is taken, including the implementation of appropriate prevention and detection controls.

Ten cases were reported to the IDT fraud hotline and 4 cases were reported internally during the reporting period. Of these, 2 cases related to alleged corruption, 3 to procurement irregularities, 6 were cases of fraudulent activities and 2 cases related to appointment irregularities. Of these cases, 5 cases have been finalised and referred to Employee Relations to institute disciplinary process. 6 cases are still under investigation with 3 cases under review by the Risk and Compliance unit.

8. Minimising Conflict of Interest

Following the review of the Code of Ethics and Business Conduct in May 2014, 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 the Board of Trustees are expected 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 disciplinary measures.

During the financial year, 21 cases were reported of employees who did not declare the financial interests held by their associates in companies that are registered on the IDT database or doing business with the IDT.

Of the 21 employees cases reported, some are for employees who have an interest in suppliers listed on the Vendor Management System (VMS), others are employees whose family members have an interest in suppliers listed in the VMS, 1 employee is a shareholder in a family company which has done work for the IDT, and the remaining employees have associates who have an interest in suppliers doing business with the IDT. These matters are under investigation, with a legal opinion obtained to direct the nature of action by the organisation.

9. Code of Conduct

The Code of Ethics and Business Conduct is reviewed annually to ensure that it adheres to relevant legislation and regulations. Awareness campaigns are continually undertaken to ensure that employees understand and adhere to the required practice according to the code. New employees are inducted with the Code as a standing item in all induction workshops for new employees.

10. Health, Safety and Environmental Issues

The IDT has an operational Safety, Health and Environment Policy that provides the umbrella framework for dealing with the subject matter. Due to the unique nature of each construction project and the related project site, each site has a specific Safety, Health, Environment, Quality (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 thereof and reporting thereon.

11. Social Responsibility

The IDT is an organisation that works with the vulnerable and poverty-stricken people, often located in the rural and marginalised communities. The IDT's Corporate Social Investment practice is built upon the principles of fairness, social responsibility, transparency, accountability, and "Ubuntu". Furthermore, the organisation is committed to building a caring and nurturing society that looks after those who are less fortunate. These principles are also embedded in the organisational values and the operating principles of the IDT as a people-centred organisation. The corresponding operating principles state that the organisation:

- improves the lives of people;
- works together as a team;
- puts people first; and
- is open and honest in all its communications.

Based on these operating principles, the organisation undertakes corporate social responsibility investments aimed at community-building and empowerment. The

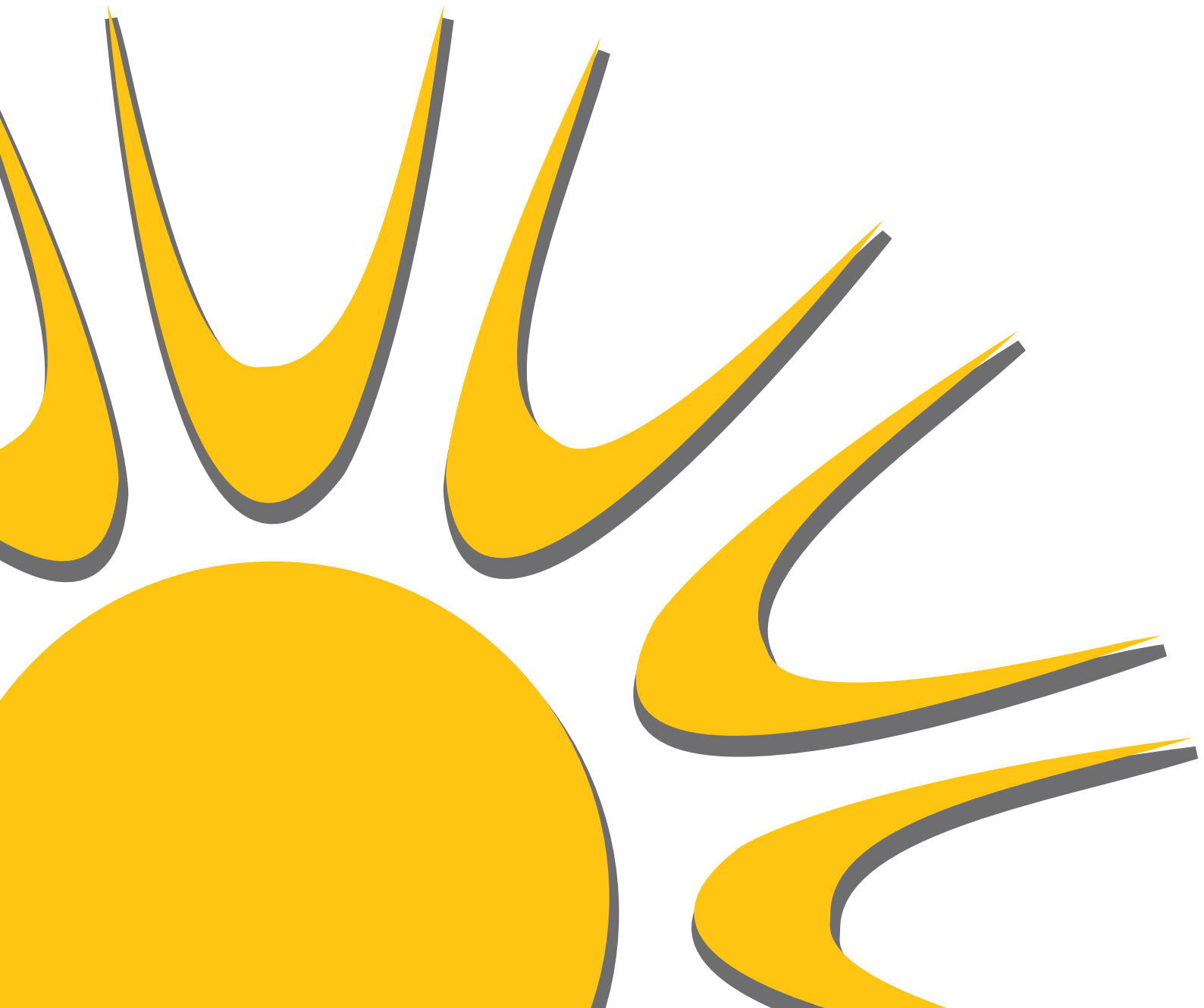
overall objective of the IDT's CSI practice ensures that the organisation is a caring, giving and responsible organisation, nurturing and supporting poorer members of the community. Furthermore, IDT's CSI activities seek to achieve the following sub-objectives:

- to contribute to the improvement of the socio-economic environment of South African citizens;
- to improve the living conditions of the members of the communities the organisation serves, thus promoting corporate citizenship;
- to demonstrate the organisation's and employees' compassion and contributing to social good;
- to enhance the company's reputation and credibility in the communities it serves;
- to increase stakeholder goodwill and loyalty;
- to improving the relationship the organisation has with the communities;
- to build brand equity and identity in the communities; and
- to put into practice the organisational values and operating principles.



Board Oversight Visit to projects

Part D: Human Resources Management





Rewarding employees for long service at the IDT

1. Introduction

The IDT's Human Capital Strategy, like that of other organisations, is informed by the by the complexity of a largely stagnant world economy, and the resultant competition for skills on the one hand and by the increasing social volatility and its accompany demands for rapid service delivery and social changes. As such the IDT's Human Capital Strategy seeks to devise competitive recruitment processes as well as creating an enabling work environment in order to attract the best skills available. The ultimate goal is to continually enhance the organisation's capacity to accelerate service delivery. This approach to Human Capital Management is underpinned by the idea that having a workforce that is accessible, skilled, motivated and effectively deployed is increasingly becoming a key differentiator of business performance and financial success for the enterprise.

To continue to perform successfully in this complex environment the organisation has embraced a human capital strategy that positions human capital as the centrepiece of the organisation's competitive strategy. This human capital approach rests on three pillars:

- talent optimization;
- learning agility; and
- innovation capabilities.

2. Human Resources Oversight Statistics

2.1. Personnel Cost by Salary Band

Table 11 provides a summary of the personnel costs according to each grade level. Due to the nature of the work that the IDT does, the bulk of its staff is personnel with a built environment background and who work as programme managers. The salary costs reflected in Table 11 is made up of active employees as at 31 March 2016 as well as employees who exited the organisation during the financial year.

Table 11: Personnel Cost by Levels, 2015/16 Financial Year

| Level | Number of employees | Cost to company excluding bonus | Percentage total cost to company excluding bonus | Performance bonus award | Percentage of total bonus paid | Total cost to company including bonus | Percentage contribution total of cost to company incl. Bonus pay |
|--------------|---------------------|---------------------------------|--|-------------------------|--------------------------------|---------------------------------------|--|
| 1 | 1 | 2 000 000.00 | 0.99 | 0.00 | 0.00 | 2 000 000.00 | 0.94 |
| 2 | 3 | 5 030 546.12 | 2.48 | 0.00 | 0.00 | 5 030 546.12 | 2.36 |
| 3 | 1 | 1 796 455.81 | 0.89 | 0.00 | 0.00 | 1 796 455.81 | 0.84 |
| 4 | 8 | 12 417 229.76 | 6.13 | 0.00 | 0.00 | 12 417 229.76 | 5.84 |
| 5 | 20 | 22 744 970.63 | 11.23 | 0.00 | 0.00 | 22 744 970.63 | 10.69 |
| 6 | 52 | 46 428 780.94 | 22.92 | 2 385 198.96 | 23.38 | 48 813 979.90 | 22.94 |
| 7 | 15 | 10 754 647.18 | 5.31 | 440 530.84 | 4.32 | 11 195 178.02 | 5.26 |
| 8 | 25 | 14 647 119.40 | 7.23 | 734 091.81 | 7.20 | 15 381 211.21 | 7.23 |
| 9 | 102 | 50 356 160.89 | 24.86 | 3 779 366.43 | 37.05 | 54 135 527.31 | 25.44 |
| 10 | 24 | 7 785 530.03 | 3.84 | 654 905.45 | 6.42 | 8 440 435.49 | 3.97 |
| 11 | 71 | 23 311 307.43 | 11.51 | 1 879 505.97 | 18.43 | 25 190 813.39 | 11.84 |
| 12 | 1 | 205 831.80 | 0.10 | 17 790.05 | 0.17 | 223 621.85 | 0.11 |
| 13 | 21 | 3 613 350.13 | 1.78 | 192 844.88 | 1.89 | 3 806 195.01 | 1.79 |
| 18 | 11 | 1 469 797.10 | 0.73 | 115 765.61 | 1.13 | 1 585 562.72 | 0.75 |
| Total | 355 | 202 561 727.22 | 100.00 | 10 200 000.00 | 100.00 | 212 761 727.22 | 100.00 |

2.2. Performance Rewards

In the period under review the Board approved the payment of a reduced bonus award to qualifying employees, albeit with a bias towards middle- and lower-level employees. A total of R10.2m was paid out in performance bonus awards to 284 qualifying employees. As reflected in the organisation's financial statements, a performance bonus provision of R34m had been made for bonus payments to all qualifying employees in the event of the organisation meeting its performance targets. However due to the organisation receiving a disclaimer audit opinion, the Board re-assessed this position and the outcome was the exclusion of management (levels i.e. 1 to 5) and the award of a reduced bonus payment to all other staff levels. Only 30% of the initial performance

budget provision was paid to the lower level employees

Among the key issues that the Board took into account in awarding the middle- to lower-level staff bonuses were the severe challenges under which the organisation had been operating. These included – but were not limited to the prolonged transformation process and the pending review of the organisation's mandate. As a result of the transformation process and an earlier moratorium on employment of new personnel, the staff capacity was overstretched in the midst of an environment of prolonged uncertainty due to the transformation. To promote equity, the bonus payments were biased in favour of lower-level employees.

Table 11 excludes salaries paid to temporary workers.

In accordance with the IDT performance policy, only employees who received individual performance scores of 3.1 and above received a bonus payment. Table 12 presents details of the individual performance rating for

the 2014/15 financial year per grade paid during the 2015/16 financial year.

Table 12: Participating Staff Members and Average Performance scores per grade

| Rating scale/score | Salary Grade | Percentage | |
|--------------------|---------------|-------------|-------|
| 0 – 3 | Grade 6 = 2 | 0.68% | |
| | Grade 9 = 3 | 1% | 2.4% |
| | Grade 11 = 2 | 0.68% | |
| 3.1 – 3.4 | Grade 6 = 12 | 4.1% | |
| | Grade 7 = 2 | 0.68% | |
| | Grade 8 = 4 | 1.37% | |
| | Grade 9 = 29 | 9.93% | 20.9% |
| | Grade 11 = 11 | 3.77% | |
| | Grade 13 = 1 | 0.34% | |
| | Grade 18 = 2 | 0.68% | |
| 3.5 – 3.7 | Grade 6 = 36 | 12.33% | |
| | Grade 7 = 8 | 2.74% | |
| | Grade 8 = 15 | 5.13% | |
| | Grade 9 = 67 | 22.94% | 76.7% |
| | Grade 10 = 20 | 6.85% | |
| | Grade 11 = 58 | 19.86% | |
| | Grade 12 = 1 | 0.34% | |
| | Grade 13 = 11 | 3.77% | |
| | Grade 18 = 8 | 2.74% | |
| 3.8 – 5 | 0 | 0% | |
| Total | 292 | 100% | |

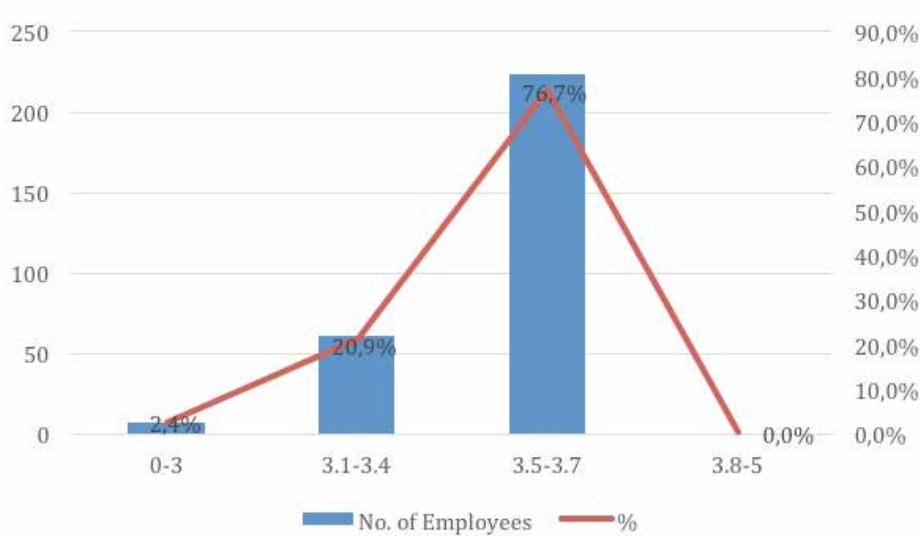
Table 13 presents the 2014/15 financial year total performance award payments per grade made during the 2015/16 financial year.

Table 13: Total Performance Award Payments per Grade

| Grade | No. of Employees | Amount | Percentage |
|--------------|------------------|-----------------------|-------------|
| 6 | 50 | R2 385 198.96 | 23.4% |
| 7 | 10 | R440 530.84 | 4.3% |
| 8 | 19 | R734 091.81 | 7.2% |
| 9 | 99 | R3 779 366.43 | 37.1% |
| 10 | 20 | R654 905.45 | 6.4% |
| 11 | 71 | R1 879 505.97 | 18.4% |
| 12 | 1 | R17 790.05 | 0.2 |
| 13 | 12 | R192 844.88 | 1.9% |
| 18 | 10 | R115 765.61 | 1.1% |
| Total | 292 | R10 200 000.00 | 100% |

Figure 4 presents the same information in a graphical manner.

Figure 4: Average Performance across the Workforce incl. percentage; 2015/16



The overall curve of performance by the IDT employees is reflected above. The total number of employees who participated in the performance bonus pay – excluding those that could not participate due to resignations or being on short-term contracts was 292. 8 out of the

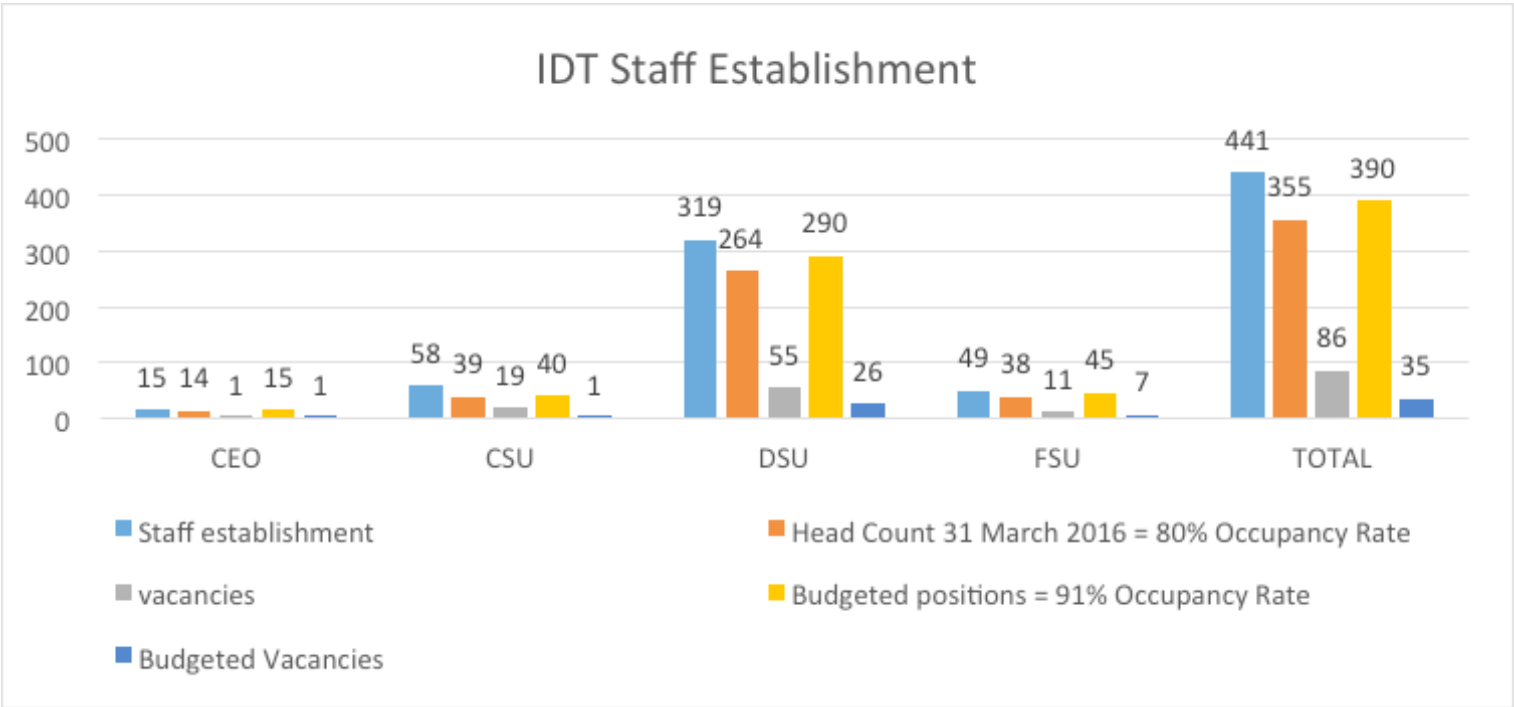
292 could not participate due to receiving individual performance scores below 3.1 as per the organisation's policy which provides that only employees who receive an individual score of 3.1 and above participate in the bonus reward.

2.3. Staff Establishment Status

The IDT has a staff establishment of 441. 390 positions were budgeted for 2015/16 financial year. Of these, 355 were occupied as at 31 March 2016 translating to an occupancy rate of 91% or alternatively a vacancy rate of 9%. Out of the 355 occupied positions, four (4) were temporary employees in the Financial Services Unit.

When measured against the staff establishment, the 355 occupied positions translate to an occupancy rate of 80% or alternatively, a vacancy rate of 20%. While this vacancy rate is high, it should be seen in the context of an Organization undergoing transformation as its mandate is being reviewed. Figure 5 presents the organisational occupancy rate for the 2015/16 financial year.

Figure 5: Occupancy as at 31 March 2016



2.4. Staff Turnover

2.4.1. New Appointments

Table 14 reflects appointments from April 2015 to March 2016 per employee grade. This number includes the filling of approved new vacancies as well as replacement of resignations throughout the year. About 60% of the

appointments were in the core programme management areas, viz. portfolio managers, programme managers, cost engineers, programme implementation managers and programme implementation administrators. All these new employees are employed on fixed-term contract ranging from 3- to 5-year periods.

Table 14: New Employees per Grade

| Grade | Function | Q1 | Q2 | Q3 | Q4 | Total |
|--------------|--|-----------|-----------|-----------|----------|-----------|
| 1 | CEO | 1 | 0 | 0 | 0 | 1 |
| 3 | Executive | 0 | 0 | 0 | 1 | 1 |
| 5 | Senior Manager; Portfolio Manager | 0 | 0 | 1 | 2 | 3 |
| 6 | Programme Manager; Legal Advisor; Manager | 1 | 0 | 1 | 2 | 4 |
| 7 | Compliance Officer; Cost Engineer | 3 | 0 | 2 | 0 | 5 |
| 8 | Personal Assistant (to CEO); Researcher | 1 | 2 | 2 | 0 | 5 |
| 9 | Programme Implementation Manager | 3 | 2 | 0 | 4 | 9 |
| 10 | Programme Employee (e.g. Administrator) | 3 | 2 | 2 | 0 | 7 |
| 11 | Administrator e.g. Programme Implementation Assistant; Admin assistant | 0 | 2 | 5 | 0 | 7 |
| 12 | Admin Assistant | 0 | 1 | 0 | 0 | 1 |
| 13 | Receptionist; Filing clerk | 2 | 2 | 4 | 0 | 8 |
| 18 | Office Attendant | 0 | 0 | 1 | 0 | 1 |
| Total | | 14 | 11 | 18 | 9 | 52 |

2.4.2. Terminations

Tables 15 and 16 reflect information on the movement of staff leaving the IDT. Table 15 presents the movement of staff per grade level and the table 16 shows the movement of staff in terms of the reasons why they left. The largest category of employees leaving the IDT were employees in the core programme management area, i.e. levels 6–9 which constitutes 64% of all departures. When all staff level are considered, of the 36 employees who left the IDT, 27 (75%) voluntarily resigned. Available data would seem to suggest that the rate of resignations cannot just be ascribed to the uncertainty that comes with transformation; other factors such as the general mobility of professionals and the search for greener pastures were also at play. Going into 2016/17, there will be more focus on strategies for retention of staff in the

core programme management areas.

The exit interview process continues to be a useful tool in determining trends and reasons as to why employees leave the organisation. The main reasons cited for exiting the organisation are as follows:

- furthering or developing a new career path;
- securing relatively better work opportunities;
- challenging work conditions, e.g. frequent travelling, sometimes at night in predominantly unfavourable terrain, and being away from family for lengthy periods;
- prolonged transformation process which created uncertainty and fear of loss of job, unwarranted relocation or retrenchment; and
- personal circumstances.

Table 15: Turnover per Grade

| Grade | Functions | Q1 | Q2 | Q3 | Q4 | Total |
|--------------|---|-----------|----------|-----------|-----------|-----------|
| 3 | Executive | 0 | 0 | 1 | 0 | 1 |
| 4 | General Manager | 0 | 0 | 1 | 1 | 2 |
| 5 | Senior Manager; Portfolio Manager | 0 | 0 | 1 | 0 | 1 |
| 6 | Programme Manager; Legal Advisor | 4 | 0 | 4 | 3 | 11 |
| 7 | Compliance Officer; Costing Engineer | 0 | 0 | 1 | 1 | 2 |
| 9 | Programme Implementation Manager | 3 | 0 | 0 | 5 | 8 |
| 10 | Programme Employee (e.g. administrator) | 2 | 2 | 0 | 1 | 5 |
| 11 | Administrator e.g. Programme Implementation Administrator, Administrative Assistant | 1 | 0 | 1 | 2 | 4 |
| 13 | Receptionist, Filing Clerk, Data capturer | 0 | 0 | 1 | 1 | 2 |
| Total | | 10 | 2 | 10 | 14 | 36 |

Table 16: Turnover by Reason

| Termination Reason | Q1 | Q2 | Q3 | Q4 | Total |
|--------------------|-----------|----------|-----------|-----------|-----------|
| Contract Expired | 2 | 1 | 1 | 1 | 5 |
| Death | 0 | 0 | 0 | 0 | 0 |
| Dismissed | 1 | 0 | 1 | 0 | 2 |
| Resignation | 6 | 1 | 7 | 13 | 27 |
| Retirement | 1 | 0 | 1 | 0 | 2 |
| Grand Total | 10 | 2 | 10 | 14 | 36 |

2.5. Employment Equity

Of the staff compliment of 355 as at end March 2016, 55% (194) were women and males constitutes 45% (161). However the challenge lies from the professional level to Top Management where numbers are skewed in favor of males. Table 17 provides the current employment equity levels in terms gender and citizenship of employees.

Further, Table 18 provides a comparative perspective of the IDT's employment equity to the national demographics. Women representation is higher in the organisation, mainly at the lower level. Further, the current shortfalls in the category of people living with disabilities is concerning. It is envisaged that in the future the IDT's employment outlook will more closely align with national demographics.

Table 17: IDT Employment Equity Statistics: 2015/16

| Occupational Levels | Male | | | | Female | | | | Foreign Nationals | | Total |
|--|------------|----------|----------|----------|------------|----------|----------|----------|-------------------|----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | Male | Female | |
| Top management | 4 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 5 |
| Senior management | 14 | 0 | 0 | 2 | 10 | 0 | 0 | 0 | 2 | 1 | 29 |
| Professionally qualified and experienced specialists and mid-management | 43 | 2 | 3 | 3 | 33 | 2 | 1 | 1 | 4 | 1 | 93 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 46 | 2 | 0 | 1 | 45 | 0 | 1 | 3 | 3 | 2 | 103 |
| Semi-skilled and discretionary decision making | 29 | 0 | 0 | 0 | 76 | 1 | 2 | 1 | 0 | 1 | 110 |
| Unskilled and defined decision making | 1 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 11 |
| Total Permanent | 137 | 4 | 3 | 6 | 175 | 3 | 4 | 5 | 9 | 5 | 351 |
| Temporary employees | 2 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 4 |
| Grand Total | 139 | 4 | 3 | 6 | 177 | 3 | 4 | 5 | 9 | 5 | 355 |

Table 18: Workforce Profile Compared to National Demographics

| Category | Gender | Total No of current employees | Percentage of 441 staff establishment | Total No | Total Percentage @ 441 Staff Establishment | Total Percentage on National Demographics |
|------------|--------|-------------------------------|---------------------------------------|----------|--|---|
| White | Male | 6 | 1.4% | 11 | 2.5% | 8.9% |
| | Female | 5 | 1.1% | | | |
| Coloured | Male | 4 | 1% | 7 | 1.6% | 9.1% |
| | Female | 3 | .70% | | | |
| Indian | Male | 3 | .70% | 7 | 1.6% | 3% |
| | Female | 4 | .90% | | | |
| African | Male | 139 | 31.50% | 316 | 72% | 79% |
| | Female | 177 | 40% | | | |
| Foreigners | Male | 9 | 2% | 14 | 3.2% | |
| | Female | 5 | 1.1% | | | |
| | | 355 | 81% | 355 | | |
| Vacancies | | 86 | 19% | 86 | | |

2.6. Employee Relations

2.6.1. Disciplinary Cases

A total of 19 disciplinary cases were handled during the 2015/16 financial year. Irregular procurement and financial misconduct were the predominant cases. The actions taken and the resultant outcomes demonstrate the organisation's zero tolerance of fraud, corruption

and general unethical conduct. Of the 19 issues, seven related to financial misconduct, four to dereliction of duty, four concerned pilferage, two matters dealt with absenteeism and one with insubordination, and the last one concerned non-disclosure of interest.

Table 19 presents the disciplinary cases undertaken during the 2015/16 financial year.

Table 19: Disciplinary Cases during 2015/16

| No. | Position | Level | Region | Nature of Misconduct | Outcome of Process | Status |
|-----|---------------------|-------|-----------------|---|---|-----------|
| 1 | PIM | 9 | Limpopo | Absenteeism | Resignation | Finalised |
| 2 | Procurement Officer | 10 | Eastern Cape | Insubordination and dereliction of duty | Dismissal | Finalised |
| 3 | Project Officer | 10 | National Office | Irregular awarding of a tender | Dismissal | Finalised |
| 4 | Programme Manager | 6 | National Office | Irregular awarding of a tender | Dismissal | Finalised |
| 5 | Senior Manager | 4 | National Office | Irregular awarding of tender | Resignation | Finalised |
| 6 | Deputy CFO | 3 | National Office | Irregular awarding of a tender | Resignation | Finalised |
| 7 | Programme Manager | | National Office | Failure to disclose business interest | Resignation | finalised |
| 8 | PIM | 9 | KZN | Gross dereliction of duty | Resignation | Finalised |
| 9 | PIA | 11 | National Office | Pilferage | Resignation with the condition to repay the value of goods pilfered | Finalised |
| 10 | PIA | 11 | National Office | Pilferage | Matter still pending case continuing | Pending |
| 11 | PIA | 11 | National Office | Pilferage | Resignation with the condition to repay the value of goods pilfered | Finalised |

Table 19: Disciplinary Cases during 2015/16 continued

| No. | Position | Level | Region | Nature of Misconduct | Outcome of Process | Status |
|-----|-----------------|-------|-----------------|--|--|-----------|
| 12 | Data Capturer | 18 | National Office | Pilferage | Awaiting the Chairperson's sanction | Pending |
| 13 | PIA | 11 | National Office | Absenteeism | Final written warning and pay back of leave days unaccounted for | Finalised |
| 14 | PIA | 11 | National Office | Collusion with service provider | Final written warning and 10 days leave without pay | Finalised |
| 15 | PIM | 9 | Limpopo | Dereliction of duty | Final written warning | Finalised |
| 16 | PIM | 9 | Limpopo | Dereliction of duty | Final written warning | Finalised |
| 17 | CFO | 2 | National Office | Financial Misconduct | Dismissal and pursuit of recovery for a portion of the funds irregularly spent | Finalised |
| 18 | Acting GM:HR | 4 | National Office | Dereliction of duty and absenteeism | Resignation | Finalised |
| 19 | Project Officer | 11 | Northern Cape | Soliciting bribe from service provider | Dismissal | Finalised |

2.6.2. CCMA Cases

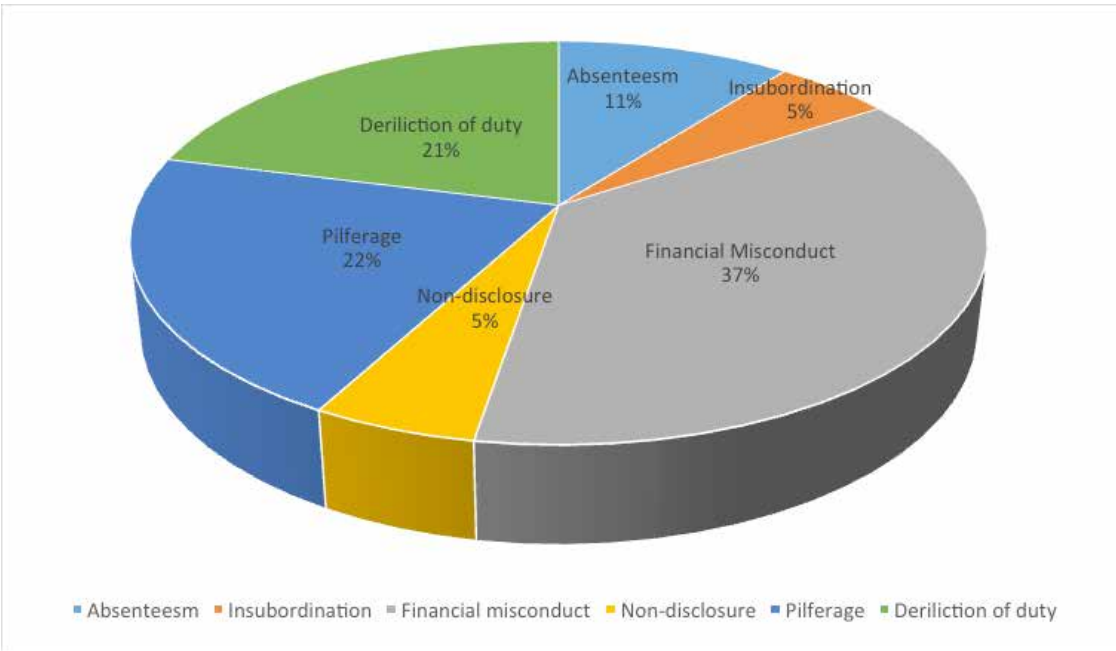
Table 20 gives a summary of the CCMA cases handled this financial year. From the 4 matters, 1 was finalised; the remaining 3 matters are pending.

Table 20: Status and Outcome of CCMA Cases

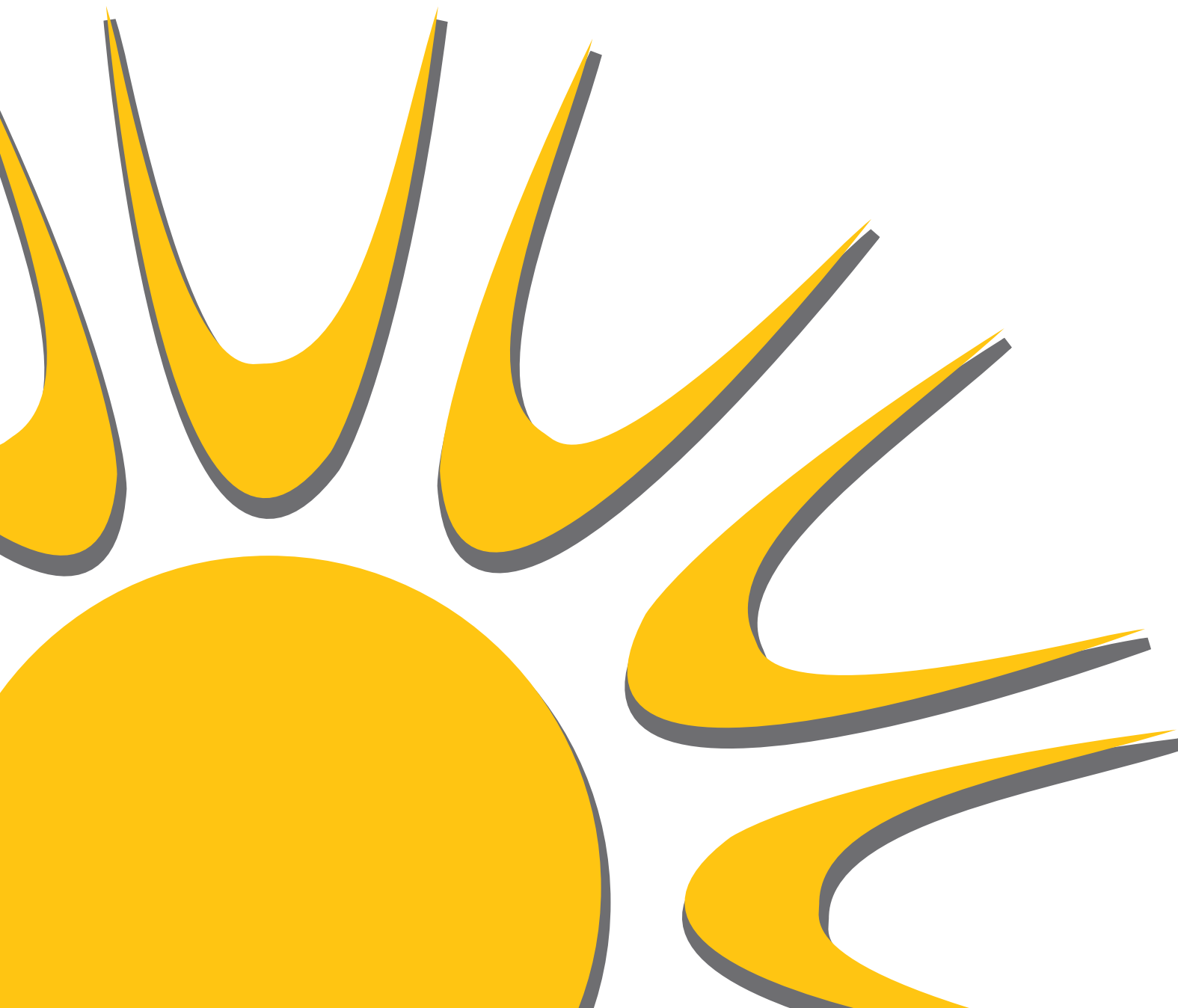
| Position | Level | Region | Nature of Referral | Outcome of Process | Outcome |
|---------------------|-------|-----------------|------------------------|---|-----------|
| Act: GM:HR | 4 | National Office | Constructive Dismissal | Certification of non-resolution issued. Still awaiting a date for arbitration | Pending |
| Procurement Officer | 11 | Eastern Cape | Unfair Dismissal | Certification of non-resolution issued. Arbitration scheduled for April 2016 | Pending |
| Data Capturer | 18 | National Office | Unfair labour practice | Matter withdrawn by employee due to no prospect of success | Finalised |
| PIM | 9 | Limpopo | Unfair labour practice | Arbitration scheduled for April 2016 | pending |

Figure 6 graphically presents the reasons for 2015/16 disciplinary cases.

Figure 6: Disciplinary Cases: 2015/16



Part E: Financial Information





Ms S Boulton
Chairperson of Audit and Risk Committee

1.1 Introduction

We once again present Audit and Risk Committee report for the financial year ended 31 March 2016.

The report is presented in accordance with the requirements of the Public Financial Management Act (PFMA), No 1 of 1999, as amended, and the recommendations contained in King III Report on Governance for South Africa and the King Code of Governance Principles.

1.2 Audit and Risk Committee Members and Attendance

The Audit and Risk Committee (ARCO) consists of five (5) independent non-executive members. Four (4) of the members are Trustees of the Board, with the Chairperson being independent of the Board.

The Committee meets as at least four times a year, as per the approved Committee Charter, with authority to convene additional meetings as circumstances require.

The table below details the members of the Committee and the meetings held during the year under review:

1. Report of the Audit and Risk Committee

Table 21: Attendance at meetings by members of the Audit and Risk Committee

| Name of Member | Ordinary Meetings attended | Joint Meeting with the Finance Committee | Special Meetings | Total Member Attendance |
|---|----------------------------|--|------------------|-------------------------|
| Number of meetings | 4 | 1 | 3 | 8 |
| Ms. S Boulton (Independent Chairperson) | 4 | 1 | 3 | 8 |
| Mr. Z. Zitha | 4 | 1 | 3 | 8 |
| Ms. P. Nkomo | 4 | 1 | 2 | 7 |
| Mr. R. Patel | 4 | 1 | 3 | 8 |
| Dr. GC Zulu-Kabanyane | 4 | 1 | 3 | 8 |

1.3 Audit and Risk Committee Responsibility

The Committee reports that it has complied with its responsibilities enshrined under Section 76 and 77 of the PFMA and Treasury Regulation 3.1 and 27.1.

The Committee adheres to the terms of reference outlined in the charter, reviewed annually and duly approved by the Board of Trustees. The Committee monitored its activities on a quarterly basis using the approved schedule of duties aligned thereto.

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

- i) Assisted the Board of trustees in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the entity in the day-to-day management of its business.
- ii) Facilitated and promoted communication between the Board, management, the external auditors and internal audit department on matters that are the responsibility of the Committee.
- iii) Introduced measures that, in the opinion of the Committee, enhance the credibility and objectivity of the financial statements and reports prepared with reference to the affairs of the entity.
- iv) Approved the appointment as co-sourced internal auditors, that is, Nkonki Incorporated - registered company of auditors.
- v) Determined and monitored the fees to be paid to

both internal and external auditors respectively as well as the auditors' terms of engagement.

1.4 The Effectiveness of Internal Control

The effectiveness of internal controls and compliance were monitored through the Enterprise-wide Risk Management (ERM) Framework as adopted. The framework emphasizes risk governance based on three lines of defense and the Committee relied on the regular reports received from these lines of defence being functional/unit heads, Risk & Compliance unit, executive management, and Internal Audit function to evaluate the effectiveness of the internal controls.

Material findings had come to the attention of the Committee indicating that material breakdown in internal controls have occurred during the financial year under review (2015/16), hence the Committee highlights the following:

- i) Programme spend and programme reserves and liabilities – there were material balances presented without accurate and complete underlying accounting records on any adjustment relating to programme spend stated at R285 million (2014/15 - R673 million; 2013/14 – Nil); programme reserves and liabilities stated at R922 million (2014/15 – R1 547 million; 2013/14 – R1 765 million);
- ii) Management fees, Trade receivables, Impairment of trade receivables and Provision for doubtful debt – inadequacy of reconciliations performed on the underlying accounts and the non-recognition of revenue due to the IDT from project management fees, as required by

International Accounting Standards (IAS) 18: Revenue, as the systems and processes to identify and accurately record all expenditure incurred on behalf of client departments in the financial period to which they relate to, were inadequate. Programme expenditure forms the basis on which management fee revenue is charged. AGSA is not able to confirm these amounts by alternative means. Consequently, they were unable to determine whether any adjustment to revenue from management fees amounting to R226 million (2014/15: R344 million) presented in note 5 to the financial statements, trade receivables amounting to R173 million (2014/15: R305 million) as stated in note 19 to the financial statements and other losses amounting to R32 million (2014/15: R18 million) as stated in note 9 to the financial statements, was necessary;

iii) Related parties – expenditure incurred on behalf of Department of Public Works was not supported by appropriate audit evidence as a consequence of management's inability to identify and accurately record all expenditure incurred on behalf of client departments. Consequently AGSA was unable to determine whether any adjustment relating to Programme expenditure stated at R565 million (2014-15: R539 million) and Management fees charged for the year included under revenue stated at R13 million (2014-15: R20 million) and Management fees outstanding at year end included under other receivables stated at R3 million (2014-15 : R21 million) included in note 25 to the financial statements was necessary.

iv) Prior period error - the nature, the amount of

the correction for each financial statement item affected and the amount of the correction at the beginning of the earliest prior period, were not adequately disclosed as a result of management's inability to adequately account for revenue and receivables.

Despite yet another disclaimer audit opinion, the Committee diligently provided oversight through:

- i) Monitoring and reviewing identified weaknesses and breakdowns of systems and internal controls;
- ii) Monitoring the adequacy and reliability of management information and the efficiency of management information systems;
- iii) Reviewing quarterly, half-year and final financial results/statements as well as reporting for proper and complete disclosure of timely, reliable and consistent information;
- iv) Evaluating on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any changes thereto;
- v) Discussing and resolving any significant or unusual accounting issues;
- vi) Reviewing reports supplied by management regarding the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments as well as adequacy of impairment provisions to discharge its obligations satisfactorily;

- vii) Reviewing and monitoring all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels; and
- viii) Reporting to the Board the deficiencies of the internal controls environment.

The technical support and advisory team on finance, procurement and project accounting was engaged to assist in an audit readiness drive for the organisation in preparation for the 2015/16 year-end AGSA final review. Post review exercise will be undertaken to evaluate the impact of the intervention to among other capture the lessons learned as well as a way forward. However, the Committee, at high level, can attest to the positive results of the intervention, bearing in mind the (financial management) legacy issues that had drawn most of the attention of the Committee.

1.5 The Effectiveness of Internal Audit

The Committee approved the Internal Audit Charter for the reporting period which guided the operations of the Internal Audit Function.

Capacity constraints in the Internal Audit Function contributed to the inability of Internal Audit Function to complete the 2015/16 audits and reviews. However, the capacity challenges were mitigated by the appointment of the Assistant Internal Audit Manager as well as the appointment of the co-sourced internal audit partner to replace the service provider whose contract had expired. The other mitigating factor is the 2016/17 one-year operational plan that has been amended to include the roll-over projects from the 2016/17 financial year and is being monitored.

The Committee committed the Internal Audit Function together with the Compliance and Risk Unit to incorporate to assess and evaluate the effort applied by management in remediating the matters that resulted in the entity's disclaimer. Internal Audit has committed to building the required capacity and to engage the AGSA at planning stage to agree on their audit coverage and approach.

1.6 Risk Management Effectiveness

A Risk Management Committee is constituted to assist Management EXCO to work towards effective implementation of frameworks and practices to strengthen risk management at corporate, programme and project management level. Its reports are presented to the Committee which has the responsibility to provide oversight of the risk management function as delegated by the Board. The strategic risk registers were considered periodically and the Board advised on the mitigation plans in place for the management of these risks. Also, the risk appetite and tolerance is determined and presented to the Board for endorsement.

The Committee has considered the Risk Management Strategy and Plan as well as applicable frameworks which were approved by the Board. The organisation continuously strives to improve its operations and align to best practice and it still in the process of assessing the risk management maturity level. An assessment of the IDT's maturity of risk management was performed using an assessment tool from the National Treasury: the results indicated that the IDT is currently at level 3 (out of 6 levels) which can be interpreted as compliance. The aim is to reach the optimising level 6, where the IDT will have reached a state in which risks taken are

consistent with its risk tolerance. The focus of the IDT has shifted firmly to employing risk management to optimise effectiveness, efficiency and economy within its operations. Risk management is fully integrated and only risk-based plans are approved and implemented. With this assessment, gaps identified have been included in the risk management operational plan.

1.7 The Quality of In-Year Management Quarterly Performance Reports Submitted to the Executive Authority

The Committee wishes to highlight key concerns raised during the in-year monitoring of organisational performance, as the following:

- a) Performance of the organisation was subdued during the period under review. The implications of the subdued performance manifest as (i) a reduced impact in terms of social infrastructure facilities delivered, and (ii) concerns for the financial viability of the organization;
- b) High levels of litigation remained one of the prime concerns for the IDT. Delays by some client departments in transferring programme funds to the IDT is the major cause of litigation, with attendant damage to reputation and the late payment of service providers. Several departments have adopted the practice of requiring the service providers' invoices to be submitted to them prior to funds being transferred. This has had a negative impact on payment turn-around times, and a further negative impact on the cash flow of the service providers (many of whom are small emerging contractors); and

- c) Strengthening of the Board's oversight with respect to the core business of the IDT – programme and project management.

1.8 Auditor's Report

The AGSA was requested to consider IDT's inputs and appropriately adjust their report to emphasise the significant effort put into addressing the audit findings and the resultant effect of this effort, where it is due. Though confined to their prescribed reporting formats, the AGSA's report has acknowledged improvements in their report to Parliament, thus recognising developments in the control environment, with scope for more improvements.

1.9 Evaluation of Financial Statements

The committee has:

- a) Reviewed and discussed the annual financial statements to be included in the annual report, with the AGSA, the Board of Trustees and executive management;
- b) Reviewed the Auditor-General's interim and final management reports as well as audit reports, including, management's response thereto;
- c) Reviewed possible changes in accounting policies and practices;
- d) Reviewed IDT's compliance with legal and regulatory provisions;
- e) Reviewed the information on pre-determined objectives to be included in the annual reports; and

- f) Reviewed the significant adjustments resulting from the audit.

The Committee evaluated the annual financial statements for the year ended 31 March 2016, based on the information provided to the Committee. It concurs with and accepts the Auditor-General's disclaimer of opinion on the audited annual financial statements and should be accepted and read together with the report of the Auditor-General.

1.10 Conclusion

The Committee extends its appreciation to the Board of the IDT, CEO, Executive Committee and staff for their efforts and support.



Ms Seipati Boulton

Chairperson: Audit & Risk Committee

Date: 26 August 2016



Ms N Mogorosi
Chief Financial Officer

2. Chief Financial Officer: Financial Overview Report

2.1 Programme Delivery

The IDT delivered programmes to the value of R4 550bn during the year under review, a decrease of 27% compared to the programme spend of R6 221bn in the 2014/15 financial year. The main focus of the IDT is the delivery of social infrastructure which, during the reporting period, included mainly schools for the national and

provincial departments of education, hospitals and clinics for the departments of health, and court buildings for the Department of Justice. The IDT also provides a service which supplements the physical construction, providing a social facilitation service to prepare and mobilise communities to receive, participate in, and own the facilities constructed. This ensures that the infrastructure delivered is accepted by the communities in which the IDT operates. The IDT's programme management model involves the procurement of goods and services, the payment of service providers, management of the dedicated programme bank accounts, project delivery monitoring and reporting.

2.2 Overheads and Revenue

The organisation has incurred a deficit of R67m for the year against a surplus of R88m in the prior year. This is mainly due to decreased revenues directly linked to the 27% drop in programme spend as indicated above. The lower revenue generated has also impacted the current ratio of IDT from stronger levels of 7 : 1 to 5 : 1, with a notably significant decrease in trade and other receivables as a result of the provision for credit notes and impairment. Investment funds have however increased by R72m to R139m from the 2014/15 financial year level of R67m. While much progress has been recorded, the move by the organisation toward self-sustainability has not been without challenges. The reluctance of clients to pay reviewed management fees per the Treasury Instruction 04 of 2014/15, and gaps in the billing system, have impacted negatively on revenue generation. Needless, this has placed strain on the organisation's finances. During the current year, R227.5m was billed for management fees as against a budget of R441m, largely due to a reduction in programme delivery value.

2.3 Audit outcome for the current financial year

Although the AGSA has issued another disclaimed audit opinion for the financial year ended 31 March 2016, there

has been remarkable improvement in addressing the audit matters that gave to rise to the 2014/15 disclaimed audit opinion. These improvements are highlighted in table 22, drawing a distinction between the 2014/15 and the 2015/16 audit opinion.

Table 22: Basis for Disclaimed Audit Opinion: 2014/15 compared to 2015/16

| Basis for Disclaimed Audit Opinion | | |
|--|--|---|
| 2014/15 | 2015/16 | Improvement |
| 1. Programme cash and cash equivalents and programme reserves and liabilities AGSA was unable to obtain sufficient appropriate audit evidence regarding all balances relating to Programme cash and cash equivalents and Programme reserves and liabilities, due to the status of the underlying accounting records not being fully reconciled | 1. Programme spend and programme reserves and liabilities AGSA was unable to obtain sufficient appropriate audit evidence regarding programme reserves and liabilities and programme spend, as material balances were presented for audit purposes without accurate and complete underlying accounting records | Programme cash and cash equivalents have been addressed satisfactorily. Reconciliations were automated and produced for audit purposes with differences and reconciling items not cleared satisfactorily, especially those relating to the 2013/14 system migration take-on balances. The take-on balances were material and in large volumes which could not be satisfactorily addressed before audit finalisation due to system configuration challenges. |
| | | |

Table 22: Basis for Disclaimed Audit Opinion: 2014/15 compared to 2015/16 continued

| Basis for Disclaimed Audit Opinion | | |
|--|--|--|
| 2014/15 | 2015/16 | Improvement |
| 2. Revenue and trade and other receivables AGSA was unable to obtain sufficient appropriate audit evidence regarding revenue and trade and other receivables as the IDT did not recognise revenue due to them from project management fee as required by the Internal Accounting Standard 18: Revenue, due to inadequate controls to identify and accurately record all invoices in the correct financial years for services rendered by suppliers and retention withheld relating to programme expenditure, which forms the basis on which the management fee revenue is charged. | 2. Revenue and trade receivables and other losses AGSA was unable to obtain sufficient and appropriate evidence regarding revenue, trade receivables and other losses due to the inadequacy of reconciliations performed on the underlying accounts. In addition IDT 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 expenditure incurred on behalf of client departments in the financial period to which they relate to, were inadequate. Programme expenditure forms the basis on which management fee revenue is charged. | The cut-off procedures were introduced in IDT during the last quarter of the period under review and programme invoices not processed before the end of the financial year were accrued for including the accrued revenue and retention revenue as required by IAS 18. IDT was challenged with the application of the process to the full populations of all invoices captured after the year end cut-off received late into the year. |
| 3. Trade and other receivables and other losses | Not raised | |

Table 22: Basis for Disclaimed Audit Opinion: 2014/15 compared to 2015/16 continued

| Basis for Disclaimed Audit Opinion | | |
|--|----------------|---|
| 2014/15 | 2015/16 | Improvement |
| AGSA was unable to obtain sufficient appropriate audit evidence regarding the impairment provision for trade and other receivables, as IDT did not perform an individual assessment for all trade and other receivables in accordance with the International Accounting Standard 39: Financial Instruments: Recognition and Measurement. | Not applicable | IDT has applied the provisions of IAS 39 by individually assessing all trade and other receivables as at 31 March 2016. |
| 4. Aggregation of immaterial misstatements current year uncorrected. | Not raised | The misstatements uncorrected in the financial statements amounted to R1.1 million and were deemed immaterial by management and AGSA. |
| The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected projected misstatements amounting to R7.3 million in the following items: expenditure, other income, property plant and equipment and trade and other payables as included in the statement of financial position, the statement of financial performance and the notes to the financial statements. | Not applicable | |

Table 22: Basis for Disclaimed Audit Opinion: 2014/15 compared to 2015/16 continued

| Basis for Disclaimed Audit Opinion | | |
|--|--|---|
| 2014/15 | 2015/16 | Improvement |
| Not separately highlighted but affected by the first and second reported audit issues | 3. & 4. Related Parties & Prior period error | These issues are as a result of the impact of the challenges identified with the programme expenditure cut-off impact on revenues and receivables including prior years as the period under review covered 2013/14 and 2014/15. |
| | <p>AGSA was unable to obtain sufficient appropriate audit evidence for related parties related to expenditure incurred on behalf of Department of Public Works, as a consequence of management's inability to identify and accurately record all expenditure incurred on behalf of client departments, in the financial period to which they relate to, as noted in paragraph 7 of this report.</p> <p>The IDT disclosed prior period errors in note 26 to the financial statements as required by IAS: 8 Accounting policies, estimates and errors. The nature, the amount of the correction for each financial statement item affected and the amount of the correction at the beginning of the earliest prior period, were not adequately disclosed as a result of management's inability to adequately account for programme spend, programme reserves and liabilities, management fees, trade receivables, impairment of trade receivables and provision for doubtful debts as noted in paragraph 5 to 8 of this report</p> | |

2.4 Irregular and Fruitless & Wasteful expenditure

The organisation identifies transactions which are of an irregular and fruitless & wasteful nature through measures which include the Bid Adjudication Committee and other internal control measures. Submissions are made to the Board for condoning where appropriate and actions are taken against transgressors where required. In cases where there are reasons to suspect fraud or corruption, investigations are undertaken with the Accounting Authority kept abreast of progress and outcome.

The organisation is in the process of strengthening its Supply Chain Procedures in order to align more closely to the National Treasury's framework for infrastructure procurement.

2.5 Conflict of Interest

The AGSA raised findings on conflict of interest by persons employed within the IDT who were associates of bidding entities. These instances are investigated by Internal Audit and appropriate action taken where individuals are found guilty of failing to declare any conflict of interest. Investigations on related incidents for the prior year have been concluded with consequence action underway where required.

The Supply Chain Policy requires all members of Bid Committees to declare any interest and to withdraw from participating in the procurement process if potentially conflicted. Co-operation with the AGSA has been secured on conducting conflict of interest checks using the CAATS system on a regular basis.

2.6 Expenditure trends

The organisation continues to implement a policy of cost containment aimed at enhanced efficiencies and improved utilisation of all resources. Only those vacant positions which are vital to programme delivery and the direct support services are filled. This has resulted in certain operational activities and initiatives being curtailed during the year pending the completion of the Business Case exercise under development by the NDPW.

Employment costs constitute approximately 60.7% (62.5% in the 2014/15 year) of operational expenses. This reflects the nature of the business of the IDT, being the offering of professional and other skills. Employment costs totalled R216.1m compared with R212.6m in the prior financial year.

2.7 Capacity constraints and challenges facing the IDT

The pressure on the organisation's finances has had an impact on the delivery capacity of the organisation. The vacancy level as at the end of the financial year under review was approximately 20% (355 posts filled out of an approved staff establishment of 441) and 9% (355 filled out of 390 posts) based on funded positions. The value of programme delivery is approximately R4.550bn compared to a prior year delivery of R6.2bn. This reduction has placed pressure on the finances of the organisation, which in turn place pressure on the resourcing the organisation.

Without an increase in resources in the near future it is clear that further growth in the portfolio will be adversely impacted. The Finance Unit is however prioritised in

resourcing so as to address the negative audit outcomes challenges facing the IDT

2.8 Outlook

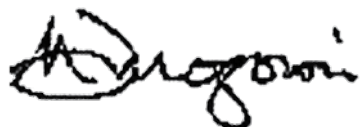
The future of the organisation is largely dependent on the conclusion of the Business Case which is being prepared in conjunction with the Department of Public Works.

2.9 Events after the reporting date

There are no events that have occurred after the year end which have an impact on the annual financial statements.

2.10 Acknowledgements

The support of the CEO, the Board and the Audit and Risk Committee, fellow executives and the Finance Unit staff in the preparation of this report and Annual Financial Statements is appreciated.



Ms Nicky Mogorosi

Chief Financial Officer

Date: 26 August 2016

3. Report of the Auditor-General to Parliament on the Independent Development Trust

Report on the financial statements

Introduction

1. I was engaged to audit the financial statements of the Independent Development Trust set out on pages 98 to 128 which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these 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 officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the

basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer

Programme spend and Programme reserves and liabilities

4. I was unable to obtain sufficient appropriate audit evidence regarding Programme reserves and liabilities and Programme spend, as material balances were presented for audit purposes without accurate and complete underlying accounting records.
5. I could not confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustment relating to Programme spend stated at R285 million (2014-15: R673 million, 2013-14: nil), Programme reserves and liabilities stated at R922 million (2014-15: R1 547 million, 2013-14: R1 765 million) as presented in note 29 to the financial statements, was required.

Management fees, Trade receivables, Impairment of trade receivables and Provision for doubtful debts

6. The IDT did not recognize 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 not able 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.
7. In addition, I was unable to obtain sufficient and

appropriate audit evidence regarding Management fees, Trade receivables, Impairment of trade receivables and Provision for doubtful debts due to the inadequacy of reconciliations performed on the underlying accounts. I could not confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustment to revenue from management fees amounting to R226 million (2014-15: R344 million) presented in note 5 to the financial statements, trade receivables amounting to R173 million (2014-15: R305 million) as stated in note 19 to the financial statements and Impairment of trade receivables and Provision for doubtful debts amounting to R32 million (2014-15: R18 million) as included in other losses stated in note 9 to the financial statements, was necessary.

Related parties

8. I was unable to obtain sufficient appropriate audit evidence for related parties related to programme expenditure incurred on behalf of Department of Public Works, the related management fees charged and management fees outstanding for the year, as a consequence of management's inability to identify and accurately record all programme expenditure incurred on behalf of client departments, in the financial period to which they relate to, as noted in paragraph 6 and 7 of this report.
9. I could not confirm these amounts by alternative means. Consequently I was unable to determine whether any adjustment relating to Programme expenditure stated at R565 million (2014-15: R539 million), Management fees charged for the year included under revenue stated at R13 million (2014-15: R20 million) and Management fees outstanding at year end included under other receivables stated at R3 million (2014-15 : R21 million) included in note 25 to the financial statements was necessary.

Prior period errors

10. The IDT did not disclose prior period errors relating to Programme spend and Programme reserves and liabilities in note 26 to the financial statements as required by IAS: 8 Accounting policies, estimates and errors. The nature, the amount of the correction for each financial statement item affected and the amount of the correction at the beginning of the earliest prior period, were not disclosed as a result of management's inability to adequately account for Programme spend and Programme reserves and liabilities as noted in paragraphs 4 and 5 of this report.
11. In addition, I was unable to obtain sufficient appropriate audit evidence for the prior period errors disclosed as the restatements could not be fully substantiated by supporting audit evidence. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments relating to the prior period errors disclosed in note 26 to the financial statements were necessary.

Disclaimer of opinion

12. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

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

Significant uncertainties

14. With reference to note 15 to the financial statements, the entity is the defendant in a number of lawsuits.

The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Report on other legal and regulatory requirements

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

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2016:
 - Programme 1: Integrated service delivery on page 28
17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance

information (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the selected programmes are as follows:

Programme 1: Integrated service delivery

Reliability of reported performance information

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for the reported achievements against planned targets of 44% of indicators.

Additional matter

21. I draw attention to the following matter:

Achievement of planned targets

22. Refer to the annual performance report on pages 30 to 50 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraph 21 of this report.

Compliance with legislation

23. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation,

as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements and annual reports

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA.
25. Certain material misstatements of current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

Procurement and contract management

26. Goods, works or services were not always procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).
27. The procurement system/ processes did not always comply with the requirements of a fair SCM system as per section 51(1)(a)(iii) of the PFMA, in that certain awards were not always made to suppliers based on criteria that are consistent with the original invitations for bids.
28. Threshold for local content on designated sectors procurement were not always properly applied in accordance with the requirements of preferential procurement regulation 9.
29. Persons in service of the entity or other SCM role players whose associates had a private or business interest in contracts awarded by the entity participated in the process relating to that contract in contravention of

PFMA section 50(3)(b).

Expenditure management

30. Effective steps were not taken to prevent irregular expenditure, amounting to R6 075 000 as disclosed in note 14.2 of the AFS, as required by section 51(1)(b)(ii) of the PFMA.
31. Effective steps were not taken to prevent fruitless and wasteful expenditure as required by section 51(1)(b)(ii) of the PFMA. The value of R5 144 000 as disclosed in note 14.1 is not complete as management is still busy with the exercise to quantify the full extent of the fruitless and wasteful expenditure.

Revenue management

32. Effective and appropriate steps were not always taken to collect all money due from client departments, as required by section 51(1)(b)(i) of the PFMA.

Internal control

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

Leadership

34. Despite the interventions from the accounting authority and senior management, adequate oversight was not always effectively and timeously provided regarding financial and performance reporting and compliance with laws and regulations.

35. Human resource management to ensure the adequately skilled resources are available, were not always effectively and timeously implemented.
36. Action plans by management to address prior year audit findings were appropriately developed, but not always effectively implemented and monitored in a timely manner.

Financial and performance management

37. 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.
38. Controls over daily and monthly processing and reconciling of transactions, were not adequately and effectively implemented in a timely manner.
39. Sufficient processes and controls to ensure that complete and accurate financial and performance reports are prepared and are evidenced by reliable supporting information, were not effectively and adequately established and implemented.
40. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored by senior management.

Governance

41. The effectiveness of the internal audit unit was limited due to delays in the implementation of its plan resulting in key focus areas not being covered.

Other Reports

42. I draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance related matters. My opinion is not modified in respect of these

engagements that are either in progress or have been completed.

Investigations

43. Various investigations were in progress by internal audit and external service providers. These investigations were initiated by the entity based on allegations of fraud, corruption and procurement irregularities, covering various periods and procurement on behalf of client departments.
44. Various other investigations were also in progress by National Treasury's special audit investigation and external service providers. These investigations were initiated based on allegation of possible fraud, corruption and procurement irregularities covering various periods and also procurement on behalf of client departments.
45. An internal disciplinary hearing of the Chief Financial Officer (CFO) was concluded during the year. The outcome of the hearing resulted in the dismissal of the CFO in December 2015. A new CFO has subsequently been appointed in January 2016.

Auditor-General

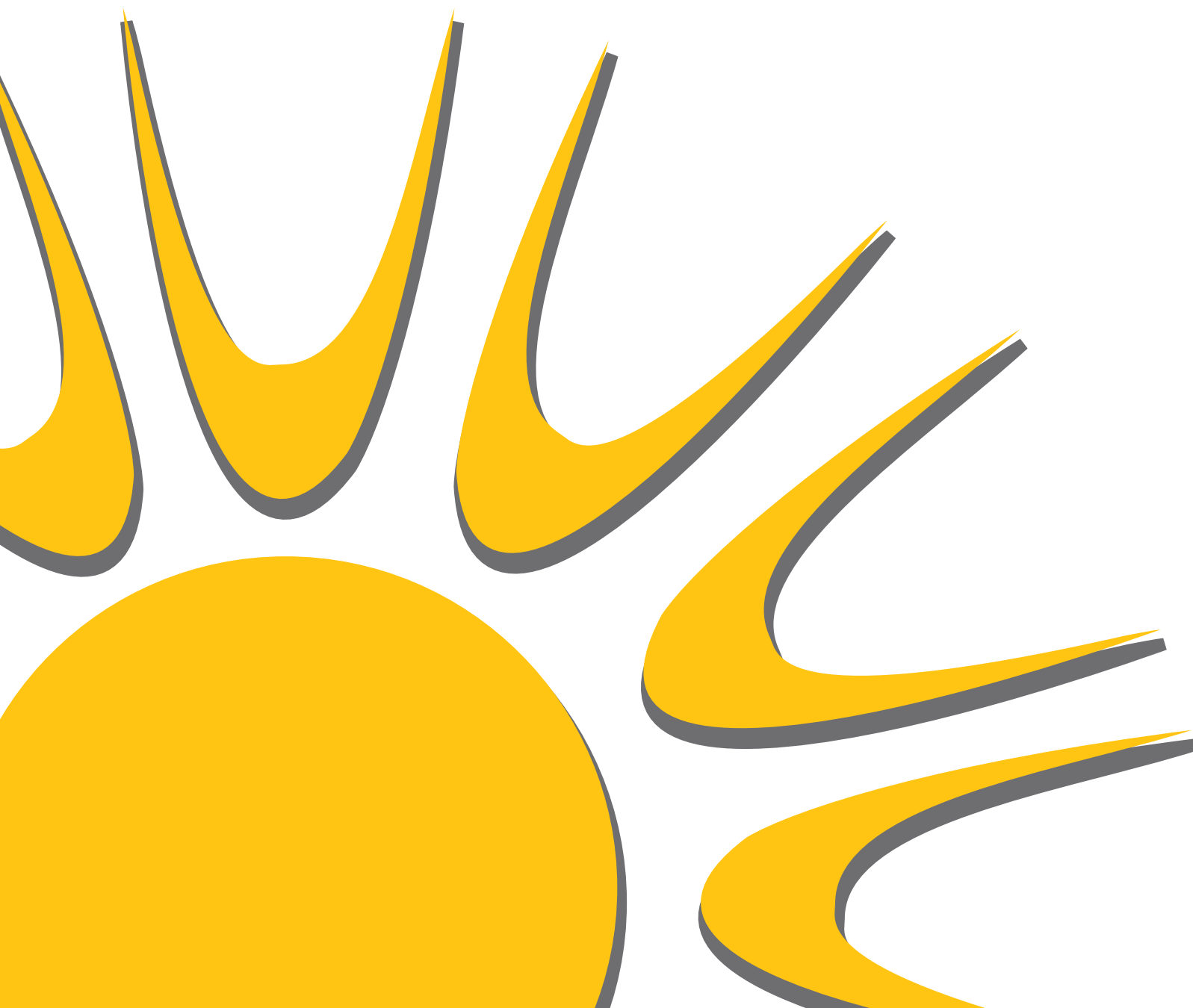
Pretoria
2 September 2016



AUDITOR - GENERAL
SOUTH AFRICA

Annual Financial Statements

for the year ended 31 March 2016



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

| | Note(s) | 2016 R'000 | 2015 R'000 Restated |
|---|---------|-----------------|---------------------------|
| Revenue | 5 | 275 791 | 393 635 |
| Investment revenue | 6 | 8 401 | 7 974 |
| Interest revenue | 7 | 1 378 | 982 |
| Other income | 8 | 2 867 | 2 562 |
| Other losses | 9 | (32 892) | 18 314 |
| Employment expense | 10 | (216 142) | (212 634) |
| Depreciation and amortisation expense | 10 | (4 004) | (3 784) |
| Administration expense | 10 | (101 495) | (108 645) |
| Finance expense | 11 | (473) | (10 666) |
| Fair value gains on investments | 12 | (1 280) | 760 |
| (DEFICIT) / SURPLUS FOR THE YEAR | | (67 849) | 88 498 |
| TOTAL COMPREHENSIVE (DEFICIT) / SURPLUS FOR THE YEAR | | (67 849) | 88 498 |

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

| | Note(s) | 1 March 2015 R'000 | 1 March 2015 R'000 Restated | 1 April 2015 R'000 Restated |
|---|-----------|--------------------------|--------------------------------------|--------------------------------------|
| ASSETS | | | | |
| Non-current assets | | 328 882 | 715 883 | 56 220 |
| Property and equipment | 16 | 29 753 | 33 492 | 36 037 |
| Intangible assets | 17 | 75 | 51 | 143 |
| Investments with financial institutions | 18 | 13 725 | 8 978 | 20 040 |
| Programme Spend | 29 | 285 329 | 673 362 | - |
| Current assets | | 1 017 277 | 1 311 273 | 2 120 170 |
| Investments with financial institutions | 18 | 124 942 | 57 797 | 151 981 |
| Trade and other receivables | 19 | 189 874 | 313 368 | 180 380 |
| Funds due from programme principals | 20 | 22 862 | 18 916 | 7 716 |
| Programme cash and cash equivalents | 29 | 636 443 | 873 707 | 1 764 863 |
| Cash and cash equivalents | 21 | 43 156 | 47 485 | 15 230 |
| TOTAL ASSETS | | 1 346 159 | 2 027 156 | 2 176 390 |
| EQUITY AND LIABILITIES | | | | |
| MAIN FUND | 22 | 346 011 | 413 860 | 325 362 |
| INITIAL FUNDING | | 2 025 000 | 2 025 000 | 2 025 000 |
| ACCUMULATED DEFICIT | | (1 678 989) | (1 611 140) | (1 699 638) |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Finance leases | 23 | 830 | 1 291 | 1 660 |
| Current liabilities | | 999 317 | 1 612 005 | 1 849 368 |
| Short term portion on finance leases | 23 | 602 | 567 | 797 |
| Programme reserves and liabilities | 29 | 921 772 | 1 547 069 | 1 764 862 |
| Trade and other payables | 24 | 50 580 | 31 590 | 37 964 |
| Provisions | 24.1 | 26 363 | 32 779 | 45 745 |
| TOTAL LIABILITIES | | 1 000 148 | 1 613 296 | 1 851 028 |
| TOTAL EQUITY AND LIABILITIES | | 1 346 159 | 2 027 156 | 2 176 390 |

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2016

Balance at 1 April 2014

Prior year adjustments (material)

Restated balance as at 1 April 2014

Total comprehensive surplus for the year

Balance at 31 March 2015

Total comprehensive surplus for the year

Total Main Fund as at 31 March 2016

| Note(s) | INITIAL FUNDING | ACCUMULATED DEFICIT | MAIN FUND (Total) |
|---------|--------------------|------------------------|----------------------|
| | R'000 | R'000 | R'000 |
| 26 | 2 025 000 | (1 674 117) | 350 883 |
| | | (25 521) | (25 521) |
| | 2 025 000 | (1 699 638) | 325 362 |
| 22 | - | 88 498 | 88 498 |
| | 2 025 000 | (1 611 140) | 413 860 |
| | - | (67 849) | (67 849) |
| 22 | 2 025 000 | (1 678 989) | 346 011 |

Independent Development Trust
STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

| | Note(s) | 2016 R'000 | 2015 R'000 Restated |
|---|---------|------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 410 742 | 307 538 |
| Cash paid to suppliers and employees | | (349 344) | (377 769) |
| Cash generated (utilised) in operations | 27 | 61 398 | (70 231) |
| Investment revenue | 6 | 8 401 | 7 974 |
| Interest revenue | 7 | 1 378 | 982 |
| Finance expense | 11 | (473) | (10 666) |
| Net cash outflows from operating activities | | 70 704 | (71 941) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to: | | | |
| Property and equipment | 16 | (1 389) | (1 215) |
| Intangible assets | 17 | (80) | (9) |
| Proceeds on disposal of: | | | |
| Property and equipment | 16 | 35 | 12 |
| Investments: | | | |
| (Increase)/Decrease in investments with approved institutions | | (73 172) | 106 006 |
| Net cash inflows from investing activities | | (74 606) | 104 794 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in : | | | |
| Finance lease obligations | | (426) | (598) |
| Net cash inflows from financing activities | | (426) | (598) |
| Net increase/ (decrease) in cash and cash equivalents | | (4 328) | 32 255 |
| Cash and cash equivalents at the beginning of the year | | 47 485 | 15 230 |
| Cash and cash equivalents at end of the year | 21 | 43 156 | 47 485 |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

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 managements 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 2016, current assets exceeded current liabilities by R 303 289 thousand which indicates that the organisation is able to meet its immediate obligations for the foreseeable future, excluding programme related balances. Also, on the basis of new agreements concluded with various client departments, management has reasonable expectation that it will recover sufficient management fees to cover for the projected operational costs.

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 2013. 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 2016.

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.

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 are omissions from 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 Rand, 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. Gains and losses on exchange differences are recognised through the Statement of Comprehensive Income.

1.3 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially recognised at historical cost and subsequently stated 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.

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 method of depreciation and useful lives are reviewed annually. 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 assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate, 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 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.

1.4 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at historical cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. 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 Comprehensive Income. IDT does not have any assets with an indefinite useful life.

Research costs, being the original and planned investigation undertaken with the prospect of gaining new technical knowledge and understanding, are recognised in the Statement of Comprehensive Income as an expense as they are incurred.

Development costs, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, processes, systems or services before starting production or use, are capitalised if it meets the recognition criteria. An internally generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible assets and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditure attributable to the intangible assets during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. If not, development expenditure is charged to the Statement of Comprehensive Income in the period in which it was incurred.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

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 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 Comprehensive Income.

All references to assets applies equally to cash generating units.

1.6 LEASES

OPERATING LEASES

Leases of assets where a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease costs are charged to the Statement of 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 Comprehensive Income, and the capital repayment, which reduces the liability to the lessor.

1.7 FINANCIAL INSTRUMENTS

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

Financial assets are recognised, using trade date accounting, when the IDT has rights or other access to economic benefits. Such assets consist of cash or a contractual right to receive other 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 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 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.

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 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 cashflows of the investment will not be fully recovered.

1.7**(cont.)**

For certain 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.

For 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 cashflows, 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 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.

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 will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor is considered an indicator that the trade receivable may be impaired. 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 Comprehensive Income. Subsequent recoveries of amounts previously written off are credited to expenses in the Statement of Comprehensive Income.

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**FINANCIAL RISK FACTORS**

The IDT's activities expose it 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 REVENUE**

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

Notes to the Annual Financial Statements

for the year ended 31 March 2016

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.

a) Management Fees

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

b) Grant received

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the organisation will comply with the conditions attached to them. Grants that compensate the organisation for expenses incurred are recognised as revenue in profit or loss 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 REVENUE

Interest revenue is recognised 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 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 added to the 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 POST REPORTING DATE EVENTS

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.

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. For details of related parties refer to note 25.

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 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 NON-CURRENT ASSETS HELD FOR SALE

Non current assets are classified as non-current assets held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the non current assets are available for immediate sale in their present condition and management is committed to the sale which should be expected to qualify for recognition as a sale within one year from the date of classification.

Immediately prior to being classified as non-current assets held for sale, the carrying amount of the item is measured in accordance with the applicable standard. After classification as held for sale it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in the Statement of Comprehensive Income for any initial and subsequent write-down of the asset to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in the Statement of Comprehensive Income to the extent that it is not in excess of the cumulative impairment loss previously recognised.

1.19 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 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 has no 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 that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Termination benefits are payable whenever an employee's employment is terminated before normal retirement date or when ever 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.

1.20 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.

1.21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost. For the purposes of the Statement of Financial Position, cash and cash equivalents comprise cash-on-hand and deposits held on call with banks. For the purposes of 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.

1.22 CONSTRUCTION CONTRACT

IAS 11: Construction Contracts defines a construction contract as a contract specifically negotiated for the construction of assets and does prescribe the accounting treatment thereof. The IDT as an 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 and it is therefore concluded that IAS 11: Construction Contracts is not applicable to the IDT.

1.23 FUNDS DUE TO/FROM PROGRAMME PRINCIPALS

When, in the processing of transactions relating to the delivery of programmes, the IDT expends 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 expended 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.

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 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.

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 Write off of funds recoverables

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.

2.5 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.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2016

3 CATEGORIES OF FINANCIAL INSTRUMENTS

Details of the significant 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 | | 2016 R'000 | 2015 R'000 <u>Restated</u> |
|--|---|---------------|----------------------------------|
| Financial Assets | | | |
| Investments with financial Institutions - Non Current | Fair value through profit and loss | 13 725 | 8 978 |
| Investments with financial Institutions - Current | Fair value through profit and loss | 124 942 | 57 797 |
| Trade and other receivables | Loans and receivable at amortised cost | 189 874 | 313 368 |
| Funds due from programme principals | Loans and receivable at amortised cost | 22 862 | 18 916 |
| Cash and cash equivalents | Financial assets at fair value through profit and loss. | 43 156 | 47 485 |
| Financial Liabilities | | | |
| Long term portion of finance leases | Financial liabilities at amortised cost | 830 | 1 291 |
| Short term portion finance leases | Financial liabilities at amortised cost | 602 | 567 |
| Trade and other payables (including accrued expenditure) | Financial liabilities at amortised cost | 50 580 | 31 590 |

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

4 MANAGEMENT OF RISK

4.1 General

The IDT has exposure 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 tasks the Audit and Risk Committee with ensuring 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 are 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. Risks that have been identified as having a potentially severe impact on the IDT are regarded as unacceptable and, where possible, will be avoided.

Responsibility for ensuring adherence to the IDT risk-management strategy is headed by the General Manager: Compliance, who has access to the Audit and Risk Committee and members of the Executive Committee.

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, co ordinate and monitor risk.

The General Manager: Compliance 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.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

4.3 Financial risk profile

Risk management relating to each of these risks is 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.

| | 2016 % | 2015 % |
|---|-------------|-------------|
| Fund Managers returns for the year | | |
| Momentum Asset Management (formerly RMB) | 6.26 | 7.47 |
| Returns for the year | 6.26 | 7.47 |
| Fund benchmark | 7.61 | 7.13 |

Sensitivity analysis

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. It is estimated that by increasing the returns by 100 basis points on the amounts invested will result in a further R1 387 thousand (2015: R1 169 thousand) being earned in investment income in the Statement of Comprehensive Income. As capital is applied in pursuit of the mandate of the organisation, the amount available will gradually diminish which will reduce the sensitivity to interest rates as the main fund diminishes over time.

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 173 million (2015: R 305 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.

IDT's key areas of exposure to credit risk in the current financial year include:

| | 2016 R'000 | 2015 R'000 Restated |
|---|---------------|---------------------------|
| Amounts due from programmes for management fees; | 22 862 | 18 916 |
| Funds due from programme principals | 6 716 | 3 290 |
| Amounts due from SARS in respect of VAT; and | 43 156 | 47 485 |
| Cash and cash equivalents held with financial institutions. | | |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

- 4.3.4** 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.

(Cont)

Exposure to credit risk

| | 2016 R'000 | 2015 R'000 |
|--|---------------|---------------|
| Cash and cash equivalents | 43 156 | 47 485 |
| Investments held with financial institutions | 138 667 | 66 775 |
| Trade and other receivables | 189 874 | 313 368 |
| Funds due from programme principals | 22 862 | 18 916 |

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

| | % | Carrying amount | Carrying amount |
|---|-------|-----------------|-----------------|
| Money Market and Bonds with a maturity date of less than 1 year | 90,1 | 124 942 | 57 027 |
| Bonds with a maturity date of: | | | |
| 1-3 years | 0,0 | - | 750 |
| 3-7 years | 4,4 | 6 115 | 1 444 |
| 7-12 years | 2,4 | 3 333 | 3 274 |
| 12 + years | 3,1 | 4 277 | 4 280 |
| | 100,0 | 138 667 | 66 775 |

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.

| | Minimum stand alone rating | Portfolio market value limit |
|---|----------------------------|------------------------------|
| Bills, bonds and securities issued by Government | N/A | No limit |
| Bills, bonds and securities issued or guaranteed by Local Authorities Utilities (per issuer) or major banks | AAA | 35% |

4.5 AGEING OF FINANCIAL ASSETS

4.5.1 Trade and other receivables

| | % | Carrying amount | Carrying amount |
|-----------------|-------|-----------------|-----------------|
| Current | 9% | 16 039 | 41 267 |
| 30-60 Days | 4% | 7 555 | 43 643 |
| 60-90 Days | 4% | 6 743 | 12 232 |
| Greater 90 days | 71% | 123 669 | 207 523 |
| | 100,0 | 173 284 | 304 665 |

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 | 22 862 | 18 916 |
| | 100,0 | 22 862 | 18 916 |

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.

4.6 TRADE AND OTHER 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:

| | | 2016 R'000 | 2015 R'000 |
|----------------------|--------------|---------------|-----------------|
| | | | Restated |
| Current | 99,6 | 18 546 | 30 585 |
| 30-60 Days | 0,4 | 81 | 19 |
| 60-90 Days | - | - | (293) |
| Greater than 90 days | - | - | - |
| | 100,0 | 18 627 | 30 311 |

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.

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.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | 2016 R'000 | 2015 R'000 |
|------------------|----------------|----------------|
| 5 REVENUE | | |
| Grants received | 50 000 | 50 000 |
| Management fees | 225 791 | 343 635 |
| | 275 791 | 393 635 |

The grant was received from the shareholder department to fund the operating activities.

Management fees are earned from the implementation of programmes on behalf of various government departments. The IDT has entered into 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. IDT derives management fees from services rendered on behalf of client departments.

| | | |
|-----------------------------|--------------|--------------|
| 6 INVESTMENT REVENUE | | |
| Money market | 7 146 | 6 917 |
| Bond market | 1 255 | 1 057 |
| | 8 401 | 7 974 |

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 R 229 thousand (2015: R230 thousand) included under administrative expenditure in note 10.

| | | |
|---|--------------|------------|
| 7 INTEREST REVENUE | | |
| Interest revenue | 1 348 | 977 |
| Interest (calculated using the effective interest method) on financial liabilities not held at fair value and adjusted through the Statement of Comprehensive Income. | 31 | 5 |
| | 1 378 | 982 |

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 | 2 867 | 2 559 |
| Other income | - | 3 |
| | 2 867 | 2 562 |

| | | |
|---------------------------------|---------------|---------------|
| 9 OTHER LOSSES | | |
| Loss on disposal of equipment | 1 147 | 66 |
| Impairment of trade receivables | 5 598 | 9 |
| Provision for doubtful debts | 26 147 | 18 239 |
| | 32 892 | 18 314 |

Loss on disposal of equipment represents loss on disposal of property, plant and equipment carried at cost less accumulated depreciation and impairment losses. Impairment of funds due from programme principals and trade receivables arose from the write-off of account balances to their recoverable amount.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

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

- Canteen

- Furniture and fittings

- Leased equipment

- Office equipment

- Mechanical equipment

- Motor vehicles

Amortisation of computer software

Change in estimate

2016
R'0002015
R'000

1 512

27

914

577

1 263

15

71

56

(431)

4 004

1 456

28

876

530

1 264

16

74

101

(561)

3 784

EMPLOYMENT EXPENSE

Wages and salaries

- Remuneration

- Prior year error

- Performance awards

178 787

172 934

-

5 853

177 067

164 193

(140)

13 014

Third party contributions

- Medical

- UIF

- Official unions and associations

- Retirement benefits - defined contribution plan

37 355

9 766

1 240

111

26 238

35 567

9 355

1 243

103

24 866

Total employment expense

216 142

212 634

ADMINISTRATION EXPENSES

Catering, meals and entertainment

Construction costs

Consultancy fees

Development initiatives

External audit fees

Fund management fee

Insurance

Internal audit

IT expenses

Leasehold improvements

Legal fees

Maintenance and repairs

Media communications

Other

Printing and stationery

Rentals in respect of operating leases - Buildings

Staff Training

Telephone

Travel and accommodation

Trustees remuneration

Water, rates and electricity

Workshop, conferences and seminars

1 162

2 634

11 838

2 627

5 651

229

1 033

2 614

6 835

226

11 688

1 476

3 271

4 105

1 932

12 891

1 747

6 114

15 414

2 683

3 966

1 358

1 448

69

27 032

1 636

4 895

230

1 046

2 155

8 379

373

8 259

2 155

2 710

5 404

3 036

9 762

2 362

3 366

17 136

2 494

3 787

911

101 495

108 645

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | 2016 R'000 | 2015 R'000 |
|--|----------------|---------------|
| 11 FINANCE EXPENSES | | |
| Interest on obligations under finance lease | 336 | 259 |
| Interest (calculated using the effective interest method) for financial assets that are not at fair value through profit or loss | 137 | 10 407 |
| | 473 | 10 666 |
| 12 FAIR VALUE GAINS / (LOSSES) ON INVESTMENTS | | |
| Unrealised profits on money market | 41 | (35) |
| Unrealised profits on bonds | (849) | (381) |
| Realised losses on money market | (117) | 32 |
| Realised profits on bonds | (355) | 1 144 |
| | (1 280) | 760 |

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.

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.

14 FRUITLESS AND WASTEFUL EXPENDITURE AND IRREGULAR EXPENDITURE

14.1 Fruitless and wasteful expenditure

| | | |
|---|--------------|------------|
| Opening balance | 253 | 70 |
| Written off | - | (70) |
| The expenditure relates to penalties and interest relating to interest in respect of late payments of office rentals; telephone rentals and expenditure incurred on the turnaround strategy for IDT | 4 891 | 253 |
| | 5 144 | 253 |

The increase in fruitless and wasteful expenditure relates to the identified amounts to be recovered from responsible official after investigation of legacy issues. The full impact on prior periods is still being established and quantified.

14.2 Irregular Expenditure

| | | |
|--|---------------|---------------|
| Opening Balance (restated) | 31 407 | 21 215 |
| Deviation from procurement processes during the year | 6 075 | 14 981 |
| | 37 482 | 36 196 |
| Condoned during the year | (20 199) | (4 789) |
| | 17 283 | 31 407 |

The outstanding balance of R17m is still being investigated subject to consequence management of the responsible IDT officials where applicable.

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | | 2016 R'000 | 2015 R'000 |
|-------------|--|---------------|---------------|
| 15 | CONTINGENT LIABILITIES | | |
| A | IDT is a defendant in a legal action where a third party has instituted summons against the IDT for work done and has been subsequently placed on hold. The IDT will defend the matter. | 12 521 | 17 604 |
| B | IDT is a defendant in a legal action where a third party has instituted summons against the IDT for non payment. IDT disputes the quantum or has referred the matter to the relevant client department and will defend this matter. | 40 905 | 2 790 |
| C | IDT is a defendant in a legal action where a third party has instituted summons against the IDT for alleged repudiation of the agreement with the IDT. IDT has not entered into any agreement with the third party, and neither has the third party rendered any services to the IDT. IDT will defend this matter. | 1 232 | 93 |
| D | IDT is a defendant in a legal action where a third party has instituted summons against the IDT. The IDT will defend this matter. | 5 383 | 9 422 |
| E | IDT is a defendant in a legal action where a third party has instituted summons against the IDT for alleged sale and delivery of goods to the IDT. The IDT believes this claim to be fraudulent and will defend the matter. | - | 1 657 |
| F | IDT is a defendant in a legal action where a third party has instituted summons against the IDT for alleged services rendered where the IDT is alleging breach of contract and/or non delivery. The IDT will defend this matter. | 6 142 | 1 544 |
| G | IDT is a defendant in a legal action where a third party has instituted summons against the IDT for alleged services rendered. There has been part settlement of the matters and the IDT needs to close account with legal representatives. | 785 | 572 |
| H | The Plaintiffs were appointed the department of Public Works, as a structural engineer. The appointment was then transferred to the IDT. The Plaintiff's Claim is for service allegedly rendered. These claims are dormant. | 7 734 | - |
| I | IDT is a defendant in a legal action where former employees has instituted summons against the IDT for unfair dismissal. There has been motion set aside by IDT attorney after CCMA awarded those employee settlement to be paid by IDT. | 855 | - |
| | | 75 556 | 33 682 |
| 15.1 | CONTINGENT ASSETS | | |
| A | The IDT is suing various contractors for damages suffered by the IDT as a result of the contractor's defective works, and also claims back advance payments from various parties. | 32 233 | - |
| | | 32 233 | - |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | 2016 R'000 | 2015 R'000 |
|---|---------------|---------------|
| 16 PROPERTY, PLANT AND EQUIPMENT | | |
| Cost | 57 167 | 62 140 |
| Prior year's adjustments | 150 | 206 |
| Impairment | - | - |
| Disposals | (1 182) | (77) |
| Change in estimate | 441 | 561 |
| Accumulated depreciation | (26 824) | (29 337) |
| Net carrying amount | 29 753 | 33 493 |
| Canteen equipment | 99 | 128 |
| Furniture and fittings | 2 971 | 3 741 |
| Computer equipment | 3 089 | 3 509 |
| Leased Office equipment | 1 348 | 1 753 |
| Mechanical Equipment | 166 | 181 |
| Office equipment | 3 632 | 5 778 |
| Motor Vehicles | 114 | 70 |
| Land | 4 000 | 4 000 |
| Owner occupied building | 14 333 | 14 333 |
| Net carrying amount | 29 753 | 33 493 |
| Restated net book value | | |
| Net carrying amount | | 33 493 |
| Add Prior year adjustment | | 150 |
| | | 33 644 |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| 16 (Cont) | Canteen | Furniture | Computer | Office | Leased | Mechanical | Motor | | Owner | |
|--|-----------|--------------|-----------|-----------|--------|------------|----------|-------|----------|---------|
| | Equipment | and Fittings | Equipment | Equipment | Office | Equipment | Vehicles | Land | Occupied | 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 2014 | 293 | 9 601 | 14 079 | 13 432 | 2 143 | 364 | 613 | 4 000 | 16 400 | 60 925 |
| Prior year's adjustments | 1 | - | 14 | - | 281 | - | - | - | - | 296 |
| Additions | 9 | 224 | 626 | 92 | 264 | - | - | - | - | 1 215 |
| Disposals | (20) | (201) | (5 572) | (663) | - | - | - | - | - | (6 456) |
| Balance at 31 March 2015 | 283 | 9 624 | 9 147 | 12 861 | 2 688 | 364 | 613 | 4 000 | 16 400 | 55 980 |
| Prior year's adjustments | - | - | - | - | 202 | - | - | - | - | 202 |
| Additions | - | 11 | 1 121 | 55 | - | - | - | - | - | 1 187 |
| Disposals | (32) | (328) | (2 398) | (2 515) | (50) | - | - | - | - | (5 323) |
| Balance at 31 March 2016 | 251 | 9 307 | 7 870 | 10 401 | 2 840 | 364 | 613 | 4 000 | 16 400 | 52 046 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| Reinstated balance as at 1 April 2014 | 145 | 5 295 | 10 104 | 6 476 | 314 | 171 | 522 | - | 2 067 | 25 094 |
| Depreciation | 28 | 876 | 1 456 | 1 264 | 530 | 15 | 74 | - | - | 4 243 |
| Disposals | (18) | (192) | (5 511) | (658) | - | - | - | - | - | (6 379) |
| Prior year's adjustments | - | - | - | 1 | 91 | (3) | 1 | - | - | 90 |
| Change in estimate | - | (96) | (411) | - | - | - | (54) | - | - | (561) |
| Balance at 31 March 2015 | 155 | 5 883 | 5 638 | 7 083 | 935 | 183 | 543 | - | 2 067 | 22 487 |
| Depreciation | 27 | 907 | 1 479 | 1 262 | 577 | 15 | 71 | - | - | 4 337 |
| Disposals | (22) | (278) | (2 233) | (1 558) | (50) | - | - | - | - | (4 141) |
| Prior year's adjustments | - | 2 | 32 | - | 14 | - | 4 | - | - | 52 |
| Change in estimate | (8) | (178) | (134) | (18) | 16 | - | (119) | - | - | (441) |
| Balance at 31 March 2016 | 152 | 6 336 | 4 782 | 6 769 | 1 493 | 198 | 498 | - | 2 067 | 22 294 |
| Carrying amount | | | | | | | | | | |
| As at 31 March 2015 | 128 | 3 741 | 3 509 | 5 778 | 1 753 | 181 | 70 | 4 000 | 14 333 | 33 493 |
| As at 31 March 2016 | 99 | 2 971 | 3 089 | 3 632 | 1 347 | 166 | 115 | 4 000 | 14 333 | 29 753 |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

16 As required by IAS 16: Property, Plant and Equipment, IDT has reviewed the useful lives and residual values of property and equipment. The review resulted in an adjustment to the residual values and useful lives of equipment in the current year. There were no indication of impairment noted in the current year and comparative period last year.

(Cont)

The IDT no longer depreciates the owner-occupied building until such time as the residual value decreases below the carrying amount in accordance with IAS 16: Property, Plant and Equipment par 54.

Estimates and judgments are evaluated annually and are based on historical experience and other factors. Management has considered the impact of IAS 16: Property, Plant and Equipment on the annual financial statements for the year ended 31 March 2016 and the assumptions made in respect to useful life on property and equipment are as follows:

With the continuous changes in technology, computer equipment is replaced on average every five years. The straight line method is still deemed to be a true reflection of the write off period. However, computer equipment with a remaining useful life of less than 1 year, which is still currently being used by the IDT will be extended by a further 3 years. Where computer equipment whose useful life was extended by a further 3 years and is still in use will be extended by a further 2 years and thereafter will be either impaired or extended by a further year. 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 R441 (2015: R561k)

A significant portion of furniture and fittings have been on the asset register for a period exceeding its initial useful life expectancy. Furniture and fittings with a remaining useful life of less than 1 year, still in good condition and currently still being used by the IDT will be extended by another 3 years. Where furniture and fittings whose useful life was extended by a further 3 years and is still in use will be extended by a further 2 years and thereafter will be either impaired or extended by a further year.

The motor vehicle which has a remaining useful life of less than 1 year which is still in good condition and is still currently being used by the IDT will be extended by a further 3 years. Management has reviewed the useful life on both office and canteen equipment and believe that the straight line method of 10 years is still deemed to be a true reflection of the write off period.

Equipment is 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. The impairment losses have been included in the line item other expenses in the Statement of Comprehensive Income.

None of the property or equipment has been pledged as security or collateral for liabilities.

The estimation of the useful lives of equipment is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgment to be applied by management. These depreciation rates represents managements current best estimate of the useful lives of the assets.

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 |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | 2016 R'000 Computer Software | 2015 R'000 Computer Software |
|--|--|---------------------------------------|
| 17 INTANGIBLE ASSETS | | |
| The accounting policies for Intangible Assets have been applied to the line items below: | | |
| Cost | | |
| Balance at 1 April 2014 (2013) | 474 | 474 |
| Additions | 206 | 197 |
| Disposals | - | - |
| Balance at 1 April 2015 (2014) | 680 | 671 |
| Additions | 80 | 9 |
| Disposals | (455) | - |
| Balance at 31 March 2016 (2015) | 305 | 680 |
| Accumulated amortisation and impairment | | |
| Balance at 1 April 2014 (2013) | 528 | 396 |
| Amortisation | 101 | 140 |
| Prior year's adjustments | - | (8) |
| Disposals | - | - |
| Balance at 1 April 2015 (2014) | 629 | 528 |
| Amortisation | 56 | 101 |
| Change in accounting estimate | - | - |
| Disposals | (455) | - |
| Balance at 31 March 2016 (2015) | 230 | 629 |
| Carrying amount | | |
| As at 31 March 2015 (2014) | 51 | 143 |
| Balance at 31 March 2016 (2015) | 75 | 51 |
| 18 INVESTMENTS WITH FINANCIAL INSTITUTIONS | | |
| Cash and short-term investments (maturity less than one year) | 124 942 | 57 797 |
| Long-term fixed | 13 725 | 8 978 |
| | 138 667 | 66 775 |
| | Percentage of total investments | |
| | % | % |
| Cash and short-term investments (maturity less than one year) | 90,1 | 86,6 |
| Long-term fixed | 9,9 | 13,4 |
| | 100,0 | 100,0 |

The funds are 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. It is not the intention of the IDT to hold the bonds to maturity but to allow for flexibility in order to maximise yield.

The average duration of the portfolio is 1 year which is in line with the approved mandate. The average yield on the portfolio for the year ended 31 March 2016 is 6,26% (2015: 7,47 %). An independent expert monitors the performance of the fund managers and confirms the fair value of the investments at year end.

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).

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | 2016 R'000 | 2015 R'000 |
|---------------------------------------|----------------|----------------|
| 19 TRADE AND OTHER RECEIVABLES | | |
| VAT refundable | 6 716 | 3 290 |
| Trade receivables | 173 284 | 304 665 |
| Other receivables | 9 875 | 5 413 |
| | 189 874 | 313 368 |

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. No interest is charged on any outstanding balance due. Included in trade and other receivables is an amount of R105 million (2015: 310 million) which represents the balance of management fees to be recovered from programmes.

19.1 Reconciliation of trade receivables

| | | |
|--------------------------|----------------|----------------|
| Gross trade receivables | 353 493 | 389 463 |
| Provision for credit | -112 893 | -49 226 |
| Provision for impairment | -67 316 | -35 572 |
| | 173 284 | 304 665 |

Trade and other receivables disclosed above that are past due includes an impairment of R 9 407 thousand (2015: R 3 810) and a provision for doubtful debts of R 57 909 thousand (2015: R 31 762 thousand) based on the objective evidence available at year end that the IDT might not be able to collect the amount 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 | 22 862 | 18 916 |
|---|---------------|---------------|

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.

21 CASH AND CASH EQUIVALENTS

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 | 43 156 | 47 485 |
| | 43 156 | 47 485 |

Cash and cash equivalents are placed with reputable financial institutions. Guarantees, issued in favor 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 R 10 thousand (2015: R124 thousand).

22 MAIN FUND

| | | |
|----------------------------------|----------------|----------------|
| Balance at the beginning of year | 413 860 | 350 883 |
| Prior year's adjustments | - | (25 521) |
| (Deficit) / Surplus for the year | (67 849) | 88 498 |
| Balance at the end of the year | 346 011 | 413 860 |

(Refer to Note 26 for prior period adjustments)

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | | 2016 R'000 | 2015 R'000 |
|--|--|---------------|---------------|
|--|--|---------------|---------------|

23 FINANCE LEASES

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

| | | |
|---|-------|-------|
| Minimum lease payments | 1 768 | 2 117 |
| No later than one year | 938 | 826 |
| Later than one year and not later than five years | 830 | 1 291 |
| Finance expense | 336 | 259 |
| Present value of minimum lease payments | 1 432 | 1 858 |
| No later than one year | 602 | 567 |
| Later than one year and not later than five years | 830 | 1 291 |

The weighted average interest rate applicable to the finance leases did not exceed 19% (2015:15%)

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)

24 TRADE AND OTHER PAYABLES

| | | |
|----------------|---------------|---------------|
| Trade payables | 18 627 | 30 311 |
| Other payables | 31 954 | 1 279 |
| | 50 580 | 31 590 |

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 6,26% (2015: 7,47%) 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.

Other payables includes an accrual that is subject to litigation amounting to R21m.

24.1 PROVISIONS

| | Opening Balance | Provision raised | Provision utilised | Provision reversed | Closing Balance |
|---|--------------------|---------------------|-----------------------|-----------------------|--------------------|
| Reconciliations of provisions - 2016 | | | | | |
| Provision for Leave Pay | 11 658 | 16 395 | (17 224) | (1 119) | 9 710 |
| Provision for Bonus | 21 121 | 16 653 | (10 200) | (10 921) | 16 653 |
| | 32 779 | 33 048 | (27 424) | (12 040) | 26 363 |
| Reconciliations of provisions - 2015 | | | | | |
| Provision for Leave Pay | 11 610 | 15 192 | (13 539) | (1 605) | 11 658 |
| Provision for Bonus | 34 135 | 21 121 | (13 600) | (20 535) | 21 121 |
| | 45 745 | 36 313 | (27 139) | (22 140) | 32 779 |

The provisions disclosed under trade and other payables and classified as accruals in the prior year. The balances and the reconciliations of the provisions have been separately disclosed. Provision for leave pay represents annual leave accrued to employees. Performance bonus provision is based on the application of a three-tier performance management system. Performance bonuses are paid when approved by the Board of Trustees.



Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | | 2016 R'000 | 2015 R'000 |
|---------------|--|---------------|---------------|
| 26.1 | Prior Period Errors that did not result in a restatement to the previously disclosed amounts | | |
| 26.1.1 | Leave Expenses | | |
| | In reviewing the opening balances of Operating leases, liabilities had been understated and have subsequently been corrected. | - | 132 |
| 26.1.2 | Revenue | | |
| | Revenue on management fees from previous financial years were overstated and have subsequently been | - | 29 435 |
| 26.1.3 | Interest revenue | | |
| | Interest received from Bank Accounts accruals that was understated in the prior financial year has been | - | (757) |
| 26.1.4 | Employee expenses | | |
| | Employee expenditure that was incorrectly accounted in the prior financial year has been corrected in the | - | (2 983) |
| 26.1.5 | Administrative expenditure | | |
| | Administrative expenditure that was incorrectly classified and accounted in the prior financial year has been | - | (306) |
| | | - | 25 521 |
| 26.2 | Prior period errors that resulted in a restatement to the previously disclosed amounts | | |
| | Below is the description of each material prior period error followed by illustration on its effect to the amounts previously disclosed: | | |
| 26.2.1 | Revenue | | |
| | Correction of management fees accounted in prior period | | |
| | The effect of this adjustment on the prior year amounts disclosed is as follows: | | |
| | Adjustments affecting the Statement of Comprehensive Income | | |
| | Decrease in Revenue | - | 35 690 |
| | Adjustments affecting the Statement of Financial Position | | |
| | Decrease Accounts Receivables | - | (35 690) |
| 26.2.2 | Interest Accrued | | |
| | Interest received accrual understated in the previous financial period | | |
| | Adjustments affecting the statement of comprehensive income | | |
| | Increase in Interest Received | - | 72 |
| | Adjustments affecting the statement of financial position | | |
| | Increase in trade and other receivables | - | 72 |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

| | | 2016 | 2015 |
|---------------|--|-------|----------|
| | | R'000 | R'000 |
| 26 | | | |
| (Cont) | | | |
| 26.2.3 | Provision for Bad Debts | | |
| | Adjustment to provision for bad debts | | |
| | Adjustments affecting the statement of comprehensive income | | |
| | Decrease in Other losses | - | (58 371) |
| | Adjustments affecting the statement of financial position | | |
| | Increase in Trade and Other receivables | - | 58 371 |
| 26.2.4 | Employee expenses | | |
| | Reallocation of employee expenses in the correct period | | |
| | The effect of this adjustment on the prior year amounts disclosed is as follows: | | |
| | Adjustments affecting the Statement of Comprehensive Income | | |
| | Increase in Employee Expenses | - | 140 |
| | Adjustments affecting the Statement of Financial Position | | |
| | Increase in Trade and Other Payables | - | (140) |
| 26.2.5 | Property Plant and Equipment-Depreciation | | |
| | Adjusting for depreciation accounted incorrectly in previous financial period. | | |
| | The effect of this adjustment on the prior year amounts disclosed is as follows: | | |
| | Adjustments affecting the Statement of Comprehensive Income | | |
| | Increase in Depreciation | - | 1 |
| | Adjustments affecting the Statement of Financial Position | | |
| | Increase in Accumulated Depreciation on Assets | - | (1) |
| 26.2.6 | Administration expense | | |
| | Administration expenses were not accrued correctly in prior periods | | |
| | The effect of this adjustment on the prior year amounts disclosed is as follows: | | |
| | Adjustments affecting the Statement of Comprehensive | | |
| | Decrease in Administration Expenses | - | (4 349) |
| | Adjustments affecting the Statement of Financial Position | | |
| | Decrease in Trade And Other Payables | - | 4 349 |
| 26.2.7 | Finance Expenses | | |
| | Accounting for finance lease interest correctly in prior period | | |
| | Adjustments affecting the statement of comprehensive income | | |
| | Increase in Finance Expenses Accounted | - | 77 |
| | Adjustments affecting the statement of financial position | | |
| | Increase in Trade and Other Payables | - | (77) |
| 26.2.8 | Other Expenses | | |
| | Adjusting of over provision in prior period | | |
| | The effect of this adjustment on the prior year amounts disclosed is as follows: | | |
| | Adjustments affecting the Statement of Comprehensive Income | | |
| | Decrease in Expenses | - | (21) |
| | Adjustments affecting the Statement of Financial Position | | |
| | Decrease in Trade and Other Payables | - | 21 |
| 26.2.9 | Remuneration of Executive management | | |
| | Inclusion of other executives' remuneration under realted party transactions which were excluded in prior period from the disclosure note. | - | 4 414 |
| | No impact Statement of Comprehensive Income and Statement of Financial Position | | |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

26

(Cont)

26.2.9 Statement of comprehensive income for the year ended 31 March 2015

| |
|---------------------------------------|
| Revenue |
| Investment revenue |
| Interest revenue |
| Other income |
| Other losses |
| Employment expense |
| Depreciation and amortisation expense |
| Administration expense |
| Finance expense |
| Fair value gains on investments |
| Other Expenses |

SURPLUS / (DEFICIT) FOR THE YEAR**TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) FOR THE YEAR**

26.2.10 Statement of financial position as at 31 March 2015

ASSETS**Non-current assets**

| |
|---|
| Property, plant and equipment |
| Intangible assets |
| Investments with financial institutions |
| Programme spend |

Current assets

| |
|---|
| Investments with financial institutions |
| Trade and other receivables |
| Funds due from programme principals |
| Programme cash and cash equivalent |
| Cash and cash equivalents |

TOTAL ASSETS**EQUITY AND LIABILITIES****MAIN FUND****INITIAL FUNDING****ACCUMULATED DEFICIT****LIABILITIES****Non-current liabilities**

| |
|----------------|
| Finance leases |
|----------------|

Current liabilities

| |
|--------------------------------------|
| Short term portion on finance leases |
| Funds due to programme principals |
| Trade and other payables |
| Provisions |

TOTAL LIABILITIES**TOTAL EQUITY AND LIABILITIES**

| Balance as previously R'000 | Prior period error R'000 | Restated R'000 |
|-----------------------------------|--------------------------------|-------------------|
| 429 325 | (35 690) | 393 635 |
| 7 974 | - | 7 974 |
| 910 | 72 | 982 |
| 2 562 | - | 2 562 |
| (40 057) | 58 371 | 18 314 |
| (212 494) | (140) | (212 634) |
| (3 783) | (1) | (3 784) |
| (112 762) | 4 117 | (108 645) |
| (10 589) | (77) | (10 666) |
| 760 | - | 760 |
| (253) | 253 | - |
| 61 593 | 26 905 | 88 498 |
| 61 593 | 26 905 | 88 498 |

| Balance as previously R'000 | Prior period error R'000 | Restated R'000 |
|-----------------------------------|--------------------------------|-------------------|
| 42 522 | 673 361 | 715 883 |
| 33 493 | (1) | 33 492 |
| 51 | - | 51 |
| 8 978 | - | 8 978 |
| | 673 362 | 673 362 |
| 1 288 520 | 22 753 | 1 311 273 |
| 57 797 | - | 57 797 |
| 309 531 | 3 837 | 313 368 |
| - | 18 916 | 18 916 |
| 873 707 | - | 873 707 |
| 47 485 | - | 47 485 |
| 1 331 042 | 696 114 | 2 027 156 |

| | | |
|----------------|---------------|----------------|
| 386 955 | 26 905 | 413 860 |
| 2 025 000 | - | 2 025 000 |
| (1 638 045) | 26 905 | (1 611 140) |

| | | |
|------------------|----------------|------------------|
| 1 291 | - | 1 291 |
| 942 796 | 669 209 | 1 612 005 |
| 567 | - | 567 |
| 873 707 | 673 362 | 1 547 069 |
| 68 521 | (36 932) | 31 589 |
| | 32 779 | 32 779 |
| 944 087 | 669 209 | 1 613 296 |
| 1 331 042 | 696 114 | 2 027 156 |

Notes to the Annual Financial Statements

for the year ended 31 March 2016

27 CASH GENERATED FROM/(UTILISED IN) OPERATIONS

(Deficit) / Surplus for the year

Investment income

Interest received

Interest paid

Non-cash movements/working capital changes

Depreciation

Amortisation

Change in estimate

Fair value (gains)/losses on investments

Loss on disposal

Decrease/(Increase) in funds due from programmes principals

Increase/(Decrease) in payables

Increase/(Decrease) in provisions

Decrease/(Increase) in receivables

(67 849) 88 498

(8 401) (7 974)

(1 378) (982)

473 10 666

138 553 (160 439)

4 389 4 243

56 101

(441) (561)

1 280 (760)

1 147 66

(3 946) (11 200)

18 990 (6 374)

(6 416) (12 966)

123 493 (132 988)

61 398 (70 231)**Net cash flows from operating activities****28 OPERATING LEASE ARRANGEMENTS****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

1 to 5 years

3 181 10 727

579 4 261

3 760 14 988

The IDT has entered into various non-cancellable operating lease agreements in respect of rented premises. Leases are contracted for periods 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 9).

Notes to the Annual Financial Statements

for the year ended 31 March 2016

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 requires of the IDT to undertake transactions with third parties.

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

| | 2016 R'000 | 2015 R'000 Restated |
|--|------------------|---------------------------|
| Opening bank balance | 873 707 | 1 764 863 |
| Funds received from Client Departments | 4 404 842 | 5 723 081 |
| Interest received | 51 854 | 102 629 |
| Total Income (A) | 5 330 403 | 7 590 573 |
| Programme Expenditure | 4 550 091 | 6 220 686 |
| Management Fees | 257 401 | 379 653 |
| Total Expenses (B) | 4 807 492 | 6 600 339 |
| Programme Balance (A-B) | 522 911 | 990 234 |
| Less interest paid to clients | (31 562) | (33 259) |
| Add: Programme payments net movement | 145 094 | (83 268) |
| Closing Bank Balance | 636 443 | 873 707 |

ASSETS

Programme assets

| | | |
|-------------------------------------|----------------|------------------|
| Programme Spend | 285 329 | 673 362 |
| Programme cash and cash equivalents | 636 443 | 873 707 |
| | 921 772 | 1 547 069 |

EQUITY AND LIABILITIES

Programme reserves and liabilities

| | | |
|------------------------------------|-------------------|---------------------|
| Programme trade and other payables | (747 864) | (1 301 961) |
| Programme retention liability | (173 908) | (245 108) |
| | (921 772) | (1 547 069) |

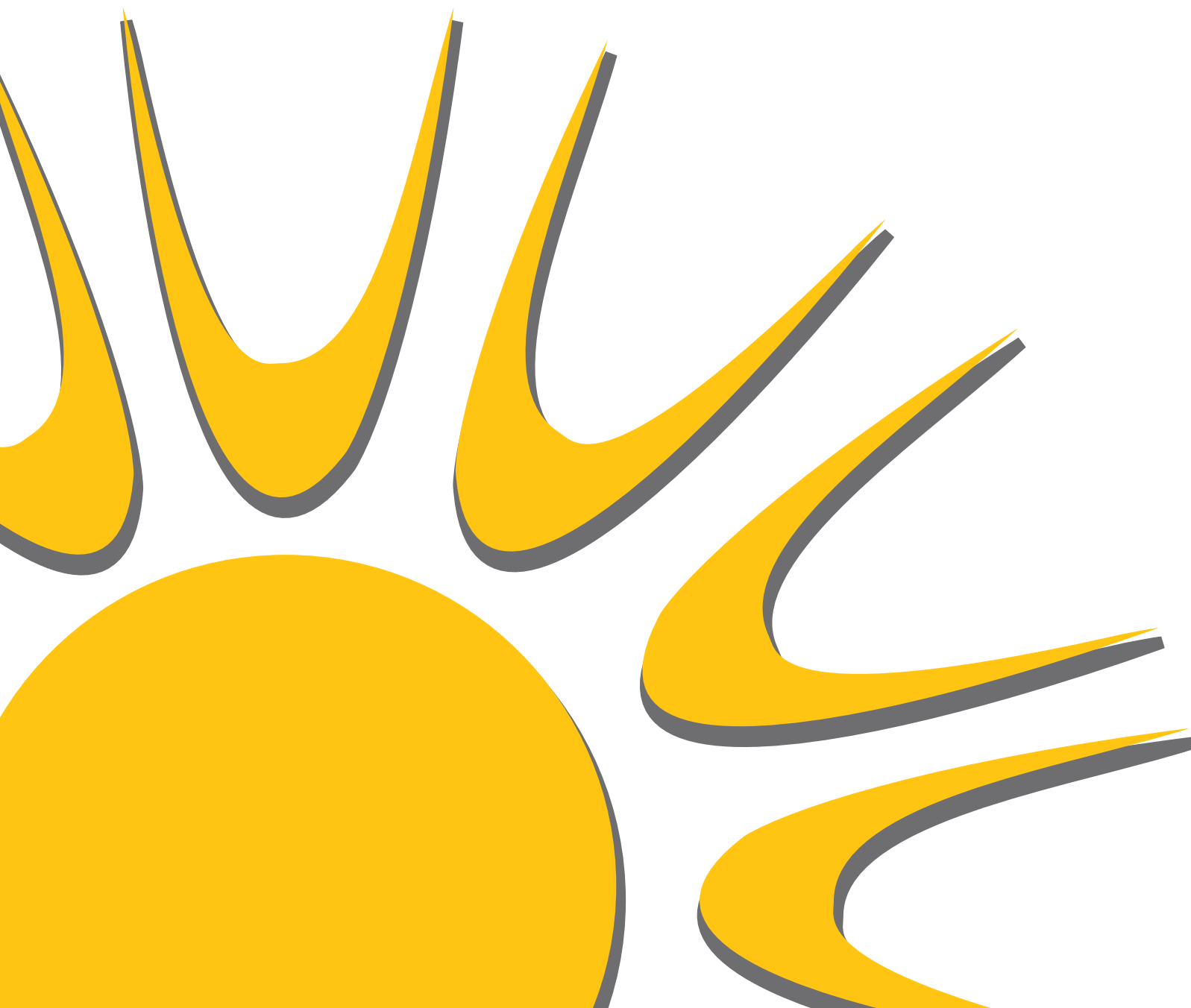
Programme cash and cash equivalents represent the balance of the programme bank account held on behalf of client departments as at year-end. The use of cash balances is restricted to programme delivery. IDT does not derive any economic benefit from the bank balances except for management fees due to 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 an invoice is issued by the service provider.

Programme trust accounts / work in progress (debits/(credits)) represents total programme funds movement, including interest earned on programme bank accounts less programme expenditure since the inception of the programme.

Programmes Implemented by IDT in 2015/16





IDT creating jobs for rural women through the Expanded Public Works Programme implemented by the Lefata Non Profit Organisation in Limpopo.



Mgezeni High School in Ntambanana, KwaZulu-Natal renovated

Computer Laboratory



Swayimane Daycare Centre in KwaZulu-Natal for pensioners



Home Economics Class



Matric Classrooms



Pensioners undertake handwork and sewing





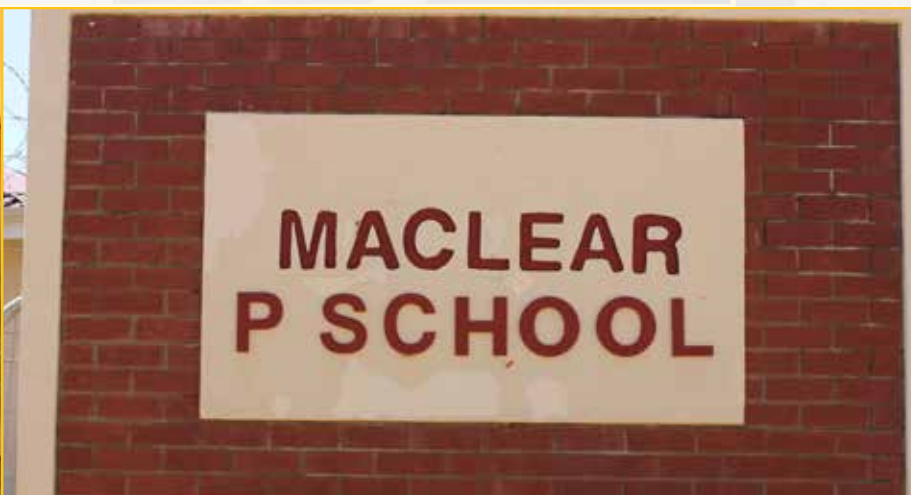
Lokwe Senior Primary School in Eastern Cape



Barberton Correctional Facility installed with new security features



Official opening of Mmutlane Secondary School by the MEC of Education, Mr Ishmael Kgetjepe, in Limpopo



Newly built Maclear Primary School in the Eastern Cape



IDT-Vodacom ICT Programme Graduation Ceremony in KwaZulu Natal

Notes

Notes

REGIONAL OFFICES

Eastern Cape

Palm Square Business Park
Bonza Bay Road
Silverwood House
Beacon Bay
East London, 5241
GPS: 32°57'33.1"S 27°56'05.1"E
Tel: (043) 711 6000

Free State

PHGBuilding/The Courtyard
196 Nelson Mandela Drive
Brandwag
Bloemfontein
GPS: 29°06'28.3"S 26°11'45.8"E
Tel: (051) 411 6240

Gauteng

International Business Gateway (IBG)
Cnr 6th Avenue & New Road
Sanlam Building, 1st Floor
Midrand, 1632
GPS: 25°58'42.8"S 28°07'12.5"E
Tel: (011) 357 4600

KwaZulu-Natal

Marine Building, 12th Floor
22 Dorothy Nyembe Street
Durban, 4001
GPS: 29°51'38.1"S 31°01'32.6"E
Tel: (031) 369 7400

Limpopo

68 Hans Van Rensburg Street
2nd Floor
Polokwane
GPS: 23°54'27.2"S 29°27'15.6"E
Tel: (015) 295 0000

Mpumalanga

34 Brown Street
ABSA Building
1st Floor
Nelspruit
GPS: 25°28'16.1"S 30°58'36.2"E
Tel: (013) 756 5500

Northern Cape

Montrio Corporate Park
Block 3, 2nd Floor
10 Oliver Road
Kimberley, 8301
GPS: 28°45'43.46"S 24°46'00.68"E
Tel: (053) 807 2660

North West

4059 Joules Street
Mahikeng, 2745
GPS: S 25° 50' 34"E 25° 38' 14"
Tel: (018) 389 3000

Western Cape

30 Waterkant Street
2nd Floor
Cape Town, 8000
GPS: 33°55'09.3"S 18°25'16.3"E
Tel: (021) 405 4000



National Office

Glenwood Office Park

Cnr Oberon & Sprite Streets

Faerie Glen

GPS Coordinates: 25°46'49.4"S 28°17'32.0"E

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public works

Department:
Tourism

REPUBLIC OF SOUTH AFRICA



The IDT is an entity of the National Department of Public Works