

Independent Development Trust Annual Report 2016/2017

About us

- A Schedule 2 Public Entity in terms of the Public Finance Management Act (Act 1 of 1999 as amended) that reports to Parliament through the Minister of Public Works; the Executive Authority
- A State-owned Programme Implementation Agency (PIA); not a supplier in terms of the standard contract of engagement (National Treasury Instruction 4 of 2014/15)
- Mandate: A social infrastructure programme and project management implementing agency that works with all spheres of government through client-specific service level agreements on a management fee basis.

Our History

1990

The IDT is established with R2bn Government grant.
Focus: implementing socio-economic development initiatives to uplift poor communities.

1997

Cabinet resolution: the IDT ceases operating as a grant funding and civil society based institution and starts to operate as a Government support Agency.

1999

The IDT is listed as a Schedule 2 Public entity in terms of the Public Finance Management Act and focuses its support on social infrastructure.

Present

The IDT is a state social infrastructure Programme Implementing Agency handling over R5 billion of public funds.

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Part A:

GENERAL INFORMATION



I. Public Entity's General Information

Registered Name	Independent Development Trust
Registration Number	669/91 (Trust Property Control Act [No. 57 of 1988])
Physical Address	Glenwood Office Park Corner Oberon & Sprite Streets Faerie Glen Pretoria 0043
Postal Address of Head Office	PO Box 73000 Lynnwood Ridge 0040
Telephone Number/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 of South Africa
Bankers	ABSA - Corporate, Lourie Place Hillcrest Office Park 177 Dyer Road Hillcrest 0083
Company Secretary	Mr Vusi Skosana
Fraud Hotline	0808 222464
Email address	idt@tip-offs.com
Helpline	0800 000687
Email address	helpline@idt.org.za

2. List of Abbreviations /Acronyms

AA	Accounting Authority
ABTs	Alternative Building Technologies
AFS	Annual Financial Statements
AGSA	Auditor-General of 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
CBO	Community-Based Organisation
CDP	Contractor Development Programme
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
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
DRN	Goods Receiving Note
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
GRN	Goods Receiving Note
HCS	Human Capital Strategy
HRP	Human Resources Plan
ICT	Information and Communications Technology
IDT	Independent Development Trust
IT	Information Technology
King IV	The King 4 Report on Corporate Governance
KZN	KwaZulu-Natal
LP	Limpopo
M&E	Monitoring and Evaluation
M&E+R	Monitoring, Evaluation and Reporting
MANCO	Management Committee
MINMEC	Minister and Members of Executive Council
MP	Mpumalanga
MTEF	Medium-Term Expenditure Framework
MTERF	Medium-Term Expenditure and Revenue Framework
MTSF	Medium Term Strategic Framework
NC	Northern Cape
NDP	National Development Plan: Vision 2030.
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NSS	Non-State Sector
NW	North West

OCEO	Office of the CEO
PCPW	Portfolio Committee on Public Works
PFMA	Public Finance Management Act (PFMA) (Act No. 1 of 1999)
PIA	Programme Implementation Administration
PIAA	Programme Implementation Agency Agreement
PICC	Presidential Infrastructure Co-ordinating Commission
PIM	Programme Implementation Manager

PM	Programme Manager
PPPFA	Preferential Procurement Policy Framework Act (No. 5 of 2000)
RMC	Risk Management Committee
SIP	Strategic Infrastructure Programme
SMME	Small, Medium and Micro Enterprise
SONA	State of the Nation Address
WC	Western Cape

Booyens Magistrate's Court in Gauteng



3. Statement by the Executive Authority



Honourable Mr. N P T Nhleko
MINISTER OF PUBLIC WORKS

Though the past financial year has been a challenging one for the Independent Development Trust (IDT), the challenges facing the entity are not insurmountable.

Infrastructure is essential for development and economic growth, although social infrastructure backlogs remain high amid shrinking budgetary allocations. With other role-players emerging in the construction programme and project management arena, this challenges the IDT to strive for competitive advantage in the

delivery of its services so that it remains better placed to manage the delivery of programmes and projects on time, to the right quality and within cost.

We are encouraged by recent efforts by the Board and Management to reposition the entity so that it responds to the challenges of operating in a dynamic, ever changing environment.

In this respect we are encouraged by recent efforts by the Board and Management to reposition the entity so that it responds to the challenges of operating in a dynamic, ever changing environment. These efforts must be intensified to enable the entity to remain focused, innovative, agile and resilient enough to claim its share of the social infrastructure portfolio.

Rising unemployment and stubbornly high levels of poverty are at variance with the ideals of reducing poverty, unemployment and inequality expressed in the National Development Plan. The creation of thousands of work opportunities through the expanded public works programme, to which the IDT is a key contributor, is one of the social protection measures to reduce levels of poverty through public employment.

The IDT is at the centre of our efforts to build and empower emerging contractors, especially women and youth through the contractor development programme (CDP).

Similarly, the IDT is at the centre of our efforts to build and empower emerging contractors, especially women and youth through the contractor development programme (CDP). The implementation of the CDP dovetails with and contributes to our broader goals of transforming the construction industry and broadening participation of the historically marginalised while building their capacity to ensure their long term sustainability as players in the construction sector. This inclusive approach also

puts into practical effect the aspirations of the new path of radical economic transformation.

The Department, together with National Treasury, the IDT Board and Executive Management of the entity have worked on measures to sustain the entity in the short term while work on long term sustainability business case is underway. These efforts reflect our belief that sound organisational and business practice is an integral part of promoting good governance. In this respect, the implementation of the key elements of the Turnaround Strategy and a revised business model will ensure that the entity continues to play its role with higher levels of public confidence.

The Board and Executive Management of the entity have put measures in sustain the entity in the short term while work on long term sustainability business case is underway. These efforts reflect our belief that sound organisational and business practice is an integral part of promoting good governance. In this respect, the implementation of the key elements of the Turnaround Strategy and a revised business model will ensure that the entity continues to play its role with higher levels of public confidence.

The experience and expertise of the IDT gained over the years cannot and should not be lost. With the ever rising need for government to provide safe public infrastructure, the need for an IDT which delivers quality services on time and cost effectively continues to grow.

In conclusion, I wish to thank the Board, Executive Management and staff of the IDT for working towards ensuring that this prized national asset continues to play its role in support of our developmental goals.



Honourable Mr. Nkosinathi P T Nhleko
MINISTER OF PUBLIC WORKS

Date: 28 September 2017

4. Foreword by the Chairperson



Mr Nhlanhla H Ngubane

Chairperson: IDT Board of Trustees

The Board is pleased to present the 2016/17 Annual Report of the Independent Development Trust (IDT). Despite operational challenges posed by the current economic downturn and the shrinking fiscal space as well as legacy issues that impacted on its performance, the organisation has in the main delivered on its mandate.

Governance

The term of the previous Board of Trustees expired during the period under review and a new Board was appointed with effect from 1 November 2016, the majority of which were reappointments to ensure continuity. Four (4) out of twelve (12) were new members and one (1) member from the previous Board declined re-appointment. At the end of July 2017, the Minister removed both the Chairperson and Deputy Chairperson and replaced them from 1 August 2017 with new trustees in these roles.

Corporate governance is considered by the Board to be pivotal and it endeavours to go beyond minimum compliance to the extent possible.

Corporate governance is considered by the Board to be pivotal and it endeavours to go beyond minimum compliance to the extent possible. Applying sound corporate governance is supported by frameworks with processes and systems to ensure the Board delivers sustainable value in the interest of all stakeholders.

During the reporting period, the Board operated under the approved Annual Performance Plan (APP), which incorporated the budget and the Shareholders' Compact, among others. These instruments were submitted and approved by the Executive Authority. The Board ensured that reporting to the Executive Authority in accordance with the approved APP was complied with as required by the Public Finance Management Act (Act 1 of 1999) and meetings were convened to an extent possible with the Minister. Quarterly performance meetings were convened with the officials at the Department of Public Works by the Chief Executive Officer and management team to review performance of the organisation.

Special attention was paid to other significant governance matters, namely:

Financial Sustainability: Quarterly financial reviews of the organisation were considered to assess the level of revenue generated from various sources and its ability to sustain the operations of the organisation. A detailed cash flow analysis was performed and the Board inculcated the culture of austerity measures, in line with National Treasury directives. Organisational reserves, mainly from the investment fund, were assessed on a regular basis to determine the extent to which they are able to cover organisational operations to meet its obligations in the foreseeable future as they become due.

Litigation Management: A Litigation Task Team was formed to effect the implementation of the Board-approved Litigation Management Framework and to address the ballooning cases against the IDT. The team focused on stakeholder management to immediately engage client departments who had not transferred funds to the IDT by understanding the underlying factors influencing these delays.

Board Skills Profiles and Mix: Following the recent changes to the Board, a skills assessment exercise was conducted to ensure proper balance and distribution of power in assisting the Board to fulfil its mandate.

Delegation of Authority Framework: During the reporting period, the Board considered the reviewed Delegation of Authority Framework and decided to retain the existing framework. This was informed by the transitional period of the Board's term ending as well as the internal operating environment.

Organisational Remuneration Framework and Strategy: The last review and approval of the organisational remuneration structure was in 2009, which posed challenges in stabilizing the salary practices in the organisation. A reputable service provider was appointed to benchmark IDT's salary model with similar organisations and a revised framework was developed. The Board considered and approved the move to a new remuneration model, the implementation of which will be concluded during the

new financial year and will be informed by an organisational development exercise.

Audit Action Plan: In order to turn around the audit outcome, an audit action plan aimed at addressing the external audit findings was approved. Further, the Board, through the Audit and Risk Committee, engaged with senior officials at the Auditor-General South Africa to review the interim audit report, assess the state of audit readiness for 2016/17 and subsequently to review the progress of the audit.

Performance management

Organisational performance has in recent periods, including the period under review, shown a downward trend. A programme value of R4.383 billion was delivered during the reporting period. This comprises schools building and refurbishment programme of 60%, the justice facility programme of 19% and the Expanded Public Works Programme – Non-State Sector at 14%, with the remainder spread amongst other programmes.

The Board took note of changes in the operating environment and fiscal allocations to client departments. A number of client departments continued to delay transfers of programme funds to the IDT and this remained a major concern due to the risk of litigation, damage to reputation as well as the late payment of service providers. Several departments had adopted the practice of requiring the service providers' invoices to be submitted to them prior to the transfer of funds. This has had a negative impact on the payment turnaround time which in turn negatively affected the cash flow of the service providers, especially small and emerging contractors, who can hardly afford delays in payment. The delays continued despite provisions in agreements between the IDT and client departments. Contributing to the performance challenges was the inadequacy of skilled human capital deployed in various projects, leading to poor delivery on some programmes. As part of the ongoing risk assessment, the Board identified this as a strategic risk for the organisation with an impact on the going concern. In

the light of this the Board approved a turnaround plan which is consistently reviewed and monitored on an ongoing basis.

Owing to the fact that the organisation did not achieve all its predetermined objectives, no performance bonuses were paid to Executive Management and staff. Further, the Board took a resolution to freeze the annual adjustment to its fees until such time the performance of the organisation improves and the audit outcome has been turned around.

A two-day Board strategy workshop was convened in March 2017 to consider interventions required for the implementation of the Board approved 2017/18 APP given the financial outlook of the organisation and the impact of the operating environment. The outcome of the workshop was the identification of the pillars of the reviewed turnaround strategy interventions aimed towards a focused, growing and sustainable IDT. The review of the turnaround plan will be concluded in the first half of the 2017/18 financial year, once approved by the Board, and will be done in accordance with organisational development principles, addressing the following key themes:

- Financial recovery.
- Institutional reorganisation.
- Service improvements.
- Audit disclaimer reversal.

Future outlook

Successful engagements were convened with both the Department of Public Works and National Treasury at the Annual Programme Meeting looking at the Public Works Sector and its emerging concerns.

Successful engagements were convened with both the Department of Public Works and National Treasury at the Annual Programme Meeting looking at the Public Works Sector and its emerging concerns. As an outcome of the engagements, cognisance was taken of the challenges in the operating environment and an agreement reached for the IDT to formulate proposals on the way forward to be presented by National Treasury. These will be used as a basis for reviewing the IDT's going concern as well as investment in appropriate infrastructure, including but not limited to tools for monitoring and evaluation of programmes, integrated enterprise resource planning and integrated financial management system, as well as human capital.

In the meantime, the Board has reconstituted its Committees, especially the Strategic Planning and Programmes Committee to enhance its oversight responsibility on core business. This is in addition to the Board's relooking at the annual financial reporting framework to split between the IDT's overheads and programmes managed on behalf of client departments so as to give a fair reflection on the performance of the organisation.

Acknowledgements

I wish to express my sincere appreciation to Honourable Minister Nkosinathi Nhleko for the confidence bestowed in appointing me as the Chairperson of the Board to provide strategic leadership to turnaround the entity. Working together with the Deputy Chairperson and the entire Board, we vow to develop and implement a new operating model that will ensure the agile delivery of quality social infrastructure on time and within budget.

Our mandate would not be achieved without the support and cooperation of the Chief Executive Officer and his Executive Management team and staff. The organisational development process currently underway will assist us in managing staff anxieties and build desired capacity for us to deliver on our strategic mandate. This will further be augmented by system's re-engineering

to among other ensure we have real-time reporting on all portfolio and programmes. In conclusion, I am looking forward to working with the Department of Public Works and all assurance providers, including the Portfolio Committee on Public Works to whom we are accountable.



Mr Nhlanhla H Ngubane

Chairperson: IDT Board of Trustees



Madibeng School Hostels in the Northern Cape

5. Chief Executive Officer's Overview



Mr Coceko BJ Pakade

Chief Executive Officer

The Independent Development Trust (IDT) continues to play a critical role in the delivery of social infrastructure projects across the country. These include new facilities and upgrading or refurbishment of existing facilities like schools, clinics, hospitals, prisons, courts, etc.

The completion of the construction of the state-of-art High Court in Polokwane, together with the imminent completion of the construction of the Plettenberg Bay Regional Court and the Mpumalanga High Court in Nelspruit will have immeasurable impact in bringing justice services to where they are critically needed.

The completion of the construction of the state-of-art High Court in Polokwane, together with the imminent completion of the construction of the Plettenberg Bay Regional Court and the Mpumalanga High Court in Nelspruit will have immeasurable impact in bringing justice services to where they are critically needed. These mega projects also represent a monumental milestone in deepening the appreciation of the critical role that the IDT has been playing over years as a critical state entity with operational capacity, established systems and processes necessary to support the State with social infrastructure delivery. There is a general consensus among critical stakeholders on the high level of quality in which these facilities have been and are being built. These include Members of the Portfolio Committee on Public Works who visited the Mpumalanga High Court in September 2016.

Notwithstanding the persistent gaps in its capacity and other associated performance-related challenges, the IDT still continues to make a significant contribution to the government's development initiatives, and proves its capability in facilitating much-needed development programmes within communities by enhancing participation in development and promoting self-reliance. These endeavours are underpinned by social facilitation and empowerment necessary to prepare communities to receive, participate in, own and sustain their development.

The IDT's Operating Model

Significant progress has been made in finalizing the new IDT's Operating Model. The new operating model will address the fundamental question of sustainability of IDT in the foreseeable future.

The new Executive Authority, subsequent to review of the business case, instructed the IDT to develop a revised operating model to address some of his concerns particularly relating to the institutional form. This process was underway as at the date of issuing this report.

Filling of Critical Executive and Senior Management Positions

I am delighted to report that the three Executive positions (that is, Executive Manager: Corporate Services; Executive Manager: Programme Management Services and Chief Operations Officer) that have been vacant for a number of years, have now been filled during the reporting period. Furthermore, the vacant positions of Regional General Managers for Northern Cape, North West and Free State were also filled.

The following key strategic positions were also filled during the reporting period:

- General Manager: Corporate Performance and Governance;
- General Manager: Human Resource Management;
- General Manager: Supply Chain Management;
- General Manager: Finance; and
- Senior Manager: Financial Specialist.

Three Built Environment Experts were also appointed to beef up capacity at our National Office and the three big regions, namely: Eastern Cape, KwaZulu-Natal and Limpopo.

Three Built Environment Experts were also appointed to beef up capacity at our National Office and the three big regions, namely: Eastern Cape, KwaZulu-Natal and Limpopo. These include two qualified and registered Architects and one Civil Engineer who are also accredited as Project Managers.

These appointments are expected to go a long way in improving organizational performance both at core business level as well as critical support services level. Importantly, they will enable the organisation to service its clients and stakeholders even better.

Development of a comprehensive Audit Action Plan (AAP) for 2015/16

Building on the progress made towards reversal of the disclaimed audit opinion received for 2014/15 and also as part of the overall response to the 2015/16 disclaimed audit opinion, the management team developed a comprehensive Audit Action Plan, which entailed a Five Point Intervention Plan with clear lines of accountability and set action dates to resolve audit matters raised by AGSA. The Management Team also engaged various business units on the audit outcome of 2015/16. The result was a comprehensive Audit Action Plan with a five-point intervention plan, which was approved by the joint sittings of the Finance Committee and the Audit Risk Committee. The intervention plan was geared towards addressing internal control weaknesses impacting the outcome of the audit process.

Internal control improvements within Supply Chain Management (SCM) environment

One challenge that has adversely affected the organisational performance and has been a fertile ground for negative audit opinion is that of weak internal controls within the Supply Chain Management environment. The Supply Chain Management environment is a very critical cog in the effective processing of the allocated business. This is meant to be a key differentiator for the IDT and yet it has been one of the most under-resourced business areas. Challenges in this space are bound to have a knock-on effect on how the IDT services its clients and service providers as well as overall organisational performance. With concerted effort and able leadership of the management team, the following steady progress and changes, among others, have been recorded within the Supply Chain Management environment:

- A Goods Receiving Note (GRN) process was introduced to ensure that there is a tight control with end users confirming receipt of goods and services. The process interfaces with the Invoice Payment process wherein the end user signs-off on the GRN to kick-start the payment process. This was introduced to do away with a process of simply signing invoices which caused confusion on whether this meant acceptance of goods and services or authorising payments.
- In addressing the potential abuse of variation orders, a Variation Order Committee (VOC) was appointed. The Committee is tasked to interrogate and approve Variation Orders and ensure compliance with the National Treasury Instruction note on combating the abuse of SCM processes.
- Realising that SCM is one of the key functions within the IDT, big regions such as Eastern Cape, Limpopo and KwaZulu-Natal have been capacitated to have dedicated SCM practitioners/specialists.

- The Management Bid Adjudication Committee (MBAC) is now scheduled to meet weekly and even twice weekly if the demand so required.
- The review of the SCM policy to align it with regulations of the Preferential Procurement Policy Framework Act (PPPFA), is currently underway and is anticipated to be finalised by the end of October 2017.

Financial vulnerability and formulation of recovery plan

The current IDT funding model is not able to facilitate full cost recovery for the IDT operations. This shortcoming is part of the governance and operational challenges which are to be addressed through the revised operating model currently being developed as well as the IDT turnaround strategy.

In order to address the current financial situation, the Management Team has set up a multi-disciplinary task team under the leadership of the Chief Financial Officer and Chief Operations Officer to craft a financial recovery plan.

In order to address the current financial situation, the Management Team has set up a multi-disciplinary task team under the leadership of the Chief Financial Officer and Chief Operations Officer to craft a financial recovery plan. The recovery plan seeks to address shortfalls in the current funding model through identification and implementation of short term high impact measures geared towards improving the cash flow state of the organisation. Further, the plan seeks to identify and pursue other strategic and operational measures that stand to improve the overall financial viability of the IDT in the short term. The measures are to be aligned to and buttress the turnaround strategy.

I wish to conclude by expressing, on behalf of the Management Team, our heartfelt gratitude to the Board of Trustees, both old and new, for their sterling leadership, collective wisdom and affirming support that they gave us during the reporting period. It is unfathomable how the Management Team could have come this far without their assuring leadership. A further word of gratitude to the Public Works Ministry and the Office of the Director-General for always being there to lend support and sound advice; and most importantly its unrelenting leadership on matters relating to the organizational repositioning and future financial sustenance of the IDT.

Finally, I extend my immeasurable gratitude for my fellow Management Team members and the broader staff community of the IDT for always being able to find a reason to remain hopeful and showing immense commitment towards efforts to rebuild and reposition the IDT.



Mr Coceko BJ Pakade

Chief Executive Officer



Phillipvale Primary School in the Northern Cape

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

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

- All information and amounts disclosed throughout the Annual Report are consistent.
- The Annual Report is complete, accurate and is free from any omissions except for matters raised in the Auditor's report.
- 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 2017.

Yours faithfully



Mr Coceko BJ Pakade

Chief Executive Officer



Mr Nhlanhla H Ngubane

Board Chairperson



Portfolio Committee Oversight Visit to Barberton Correctional Services Facility

7. Strategic Overview

In the context of South Africa and all its challenges, the IDT believes 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 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 realisation of and continuous interplay between the following results:

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

Values and Operating Principles

Values	Operating Principles
People-Centred	<ul style="list-style-type: none"> • We support an enabling leadership culture and talent management • We encourage teamwork, inclusive and participatory approaches • We improve the lives of people • We work towards making positive impact on communities
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 strive for continuous business improvement • We deliver quality results • We are responsive, knowledgeable and professional in our work • We are disciplined and promote appropriate business conduct
Accountability	<ul style="list-style-type: none"> • We are accountable and responsible to our clients, communities, stakeholders and to one another for our actions • We promote effective regulatory and legislative compliance with financial controls, systems and processes • We are committed to sustainable development and empowerment
Visionary	<ul style="list-style-type: none"> • We approach our work in a creative manner • We explore and implement innovative solutions • We are open to new ideas

8. Legislative and Other Mandates

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

The 1997 mandate of the IDT is still in place. The entity reports to Parliament through the Minister of Public Works, 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;
- Leading the Expanded Public Works Programme (EPWP);
- Regulating the industries and associated professions falling under its jurisdiction; and
- Transforming the construction and property sector.

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

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

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

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

- Fostering balanced economic development;
- Unlocking economic opportunities;

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.

- 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 will inform the envisaged IDT founding legislation and the review of institutional arrangements such as the legal 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 national development efforts, in the realm of infrastructure development, and particularly in social infrastructure construction management and delivery.

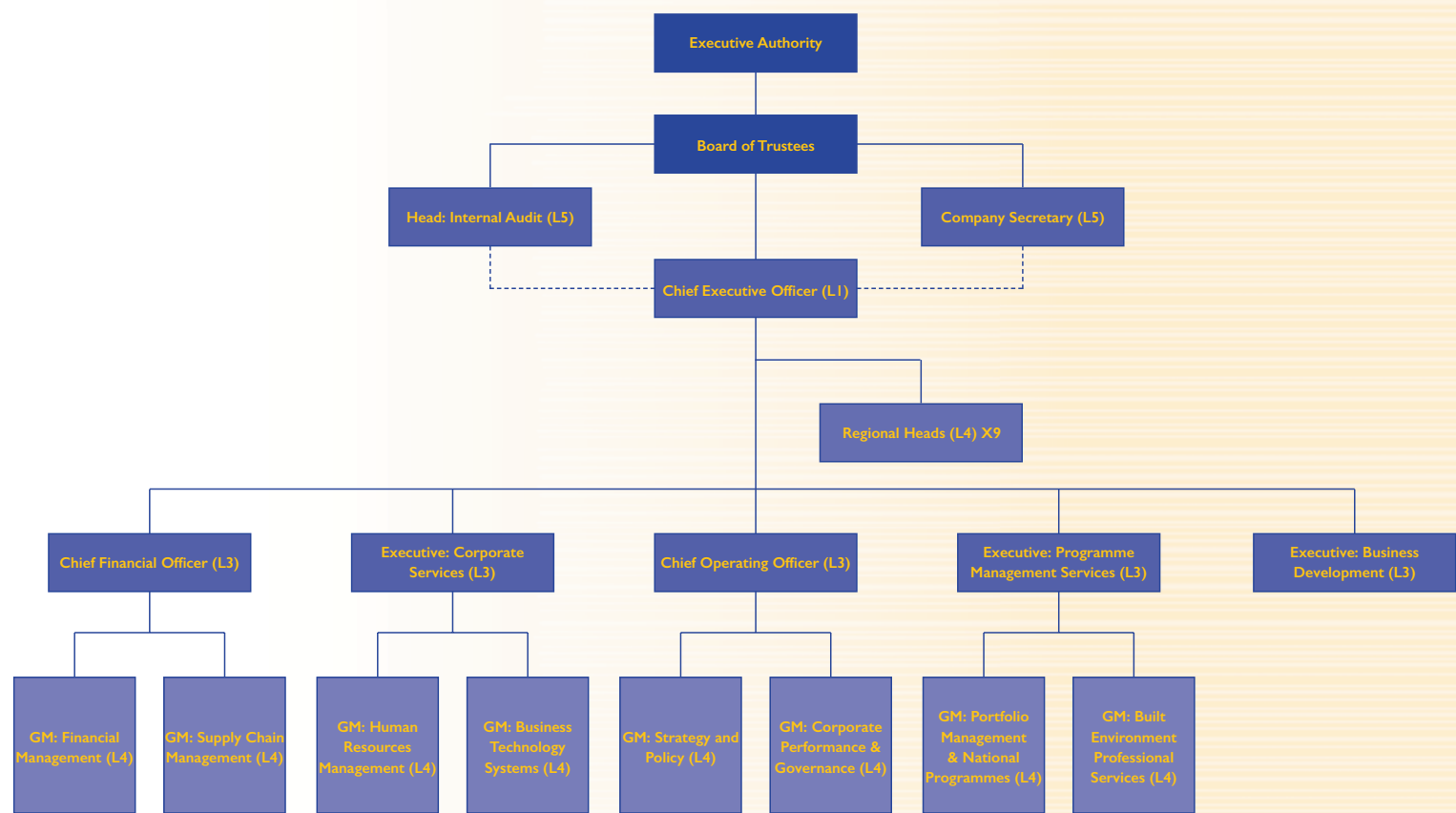
The following are some of the laws which constitute the legal framework governing the work of the IDT in the country:

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

9. Organisational Structure

The structure presented reflects top management positions as at 31 March 2017.

Figure 1: Top Management Structure



Part B:

PERFORMANCE INFORMATION



Executive Committee



Mr C. Pakade
Chief Executive Officer



Mr A. Wakaba
Chief Operating Officer



Ms N. Mogorosi
Chief Financial Officer



Ms Y. Mbane
Executive Corporate
Services Unit



Dr C. Ruiters
Executive Programme
Management Services
Unit



Mr V. Mthintso
Executive Business
Development
Unit

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

Refer to pages 75 - 79 of the Report in the Auditors Report, published as Part E: Financial Information.



2. Situational Analysis

2.1. Service Delivery Environment

Government faces growing pressure from its citizens to deliver and sustain socio-economic transformation, growth and development. Similar pressure to deliver services is faced by state-owned development agencies like the IDT. The following significant socio-economic factors have an impact on the work of the IDT and the service delivery environment in general:

- Demographic shifts which are causing high rates of urbanisation and degradation of rural areas;
- Slow economic growth which limits economic opportunities, fuels unemployment especially amongst young people, and exacerbates the marginalisation of poor people in townships, informal settlements and rural areas;
- Growing demand for new social infrastructure due to rapid in-migration to the cities, population explosion as a natural phenomenon and increase in economic activity due to emerging of economic opportunities such as mining exploration;
- The need for the adoption of social infrastructure programmes that respond to the global sustainable development agenda and which articulates changes in approaches with a view to nurturing service delivery, for example the increasing role of non-state actors such as the private sector and civil society;
- The imperative of integrating information technology infrastructure in the delivery of schools, libraries and community centres;
- Scarcity of skills in the construction sector;
- The challenge of ensuring that old and new school infrastructure meet set norms and standards aimed at creating a conducive teaching and learning environment;



- Demand for localisation of development benefits, for example emphasising local procurement of supplies for programmes, such as using local suppliers, and creating and extending job opportunities to local community members first;
- Demand for inclusive development approaches, for example designing programmes which enhance the role of small contractors, participation of women, youth and people with disabilities;
- Demand for climate change-resilient social infrastructure due to flood or natural disaster damage; and
- A reduction in medium-term budget commitments on social infrastructure.

It is acknowledged that social infrastructure delivery has the potential to catalyse development and thus lies at the core of government's radical economic transformation agenda. Infrastructure development remains a key lever to unlock new economic linkages required for inclusive economic growth in the country. Rapid and inclusive social infrastructure delivery will assist in eradicating the legacy of apartheid spatial planning which

continues to exclude the majority of people — mainly black — from the mainstream economy. Thus, using social infrastructure spend to support government's development priorities and to improve the lives of marginalised communities remains a central part of the IDT's contribution.

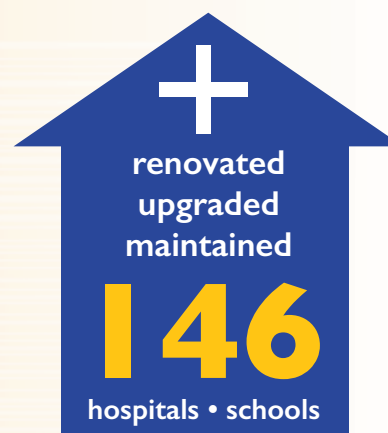
The IDT is a key player in the country's development agenda. As part of its contribution to this goal, through social infrastructure and social development programmes, the entity recorded several noteworthy achievements during the reporting period, including:

- Creating 58 637 work opportunities through the Expanded Public Works Programme (EPWP)'s Non-State Sector initiative (EPWP-NSS);
- Supporting 391 Non-Profit Organisations (NPOs), Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs) through EPWP-NSS initiative;
- Spending R3.751 billion of overall programme expenditure on BBBEE, an achievement of 132 percent achievement against the target;
- Awarding R1.426 billion in contracts — 25 percent of the total value awarded — to women contractors.

In addition to the above, the following targets were partially achieved:

- Thirty-five (35) government departments were supported against a target of 40 (87.5 percent achievement);
- Overall infrastructure programme expenditure stood at R4.384 billion, an achievement of 73 percent against a target of R6 billion;
- The value of contracts awarded to youth contractors amounted to R708.685 million, representing 12 percent of total programme contracts awarded.

In addition to these we renovated, upgraded and maintained 146



hospitals, schools and other facilities. All these efforts contribute to the realisation of a number of outcomes, amongst others Outcome 1: Improved quality of basic education and Outcome 4: Decent employment through inclusive economic growth.

In order to build a financially viable, compliant, results-

based, efficient and focused organisation, the entity also reached a number of key milestones during the reporting period. Achievements were recorded in reducing payment turnaround times, in risk management, in the corporate efficiency ratio, in human resource management and in strategies to address the negative audit outcomes. The key achievements in this respect include:

- A total of 64 percent of all invoices received from service providers were paid within 30 days. Mechanisms to improve efficiency in the turnaround time for payments are being reviewed constantly;
- The entity developed and implemented the Enterprise Risk Management strategy to mitigate the negative impact of risks emerging in the operating environment;
- A 92 percent corporate occupancy level based on funded positions was achieved;
- In terms of attaining financial sustainability, the entity charged an average of 4.8 percent of management fees from clients against a target of 6.5 percent;
- The revenue collection rate was at 82 percent;

- Corporate efficiency ratio of 7.5 percent was attained against a target of 6.5 percent;

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

2.2. Organisational Environment

In order to remain relevant to the government's development agenda and achieve impact, the IDT has to constantly monitor and adapt to its changing operating environment. It also has to leverage synergies between different programmes and do more with less.

Some of the measures implemented to ensure the organisation remains relevant or adds value include:

- Reviewing its service delivery model in order to provide sustainable solutions for its clients;
- Positioning the IDT as a hub for built environment professionals and competencies in the public sector by building its technical delivery capacity;
- Exploring effective mechanisms such as formulation of a collaboration protocol to enhance its working relationship with the departments of Public Works; and
- Building synergies between different players in the construction and social infrastructure sector.

2.3. Key Policy Developments and Legislative Changes

The ethos of government's main policy pronouncements, especially in the 2017 State of the Nation Address (SONA 2017) was radical economic transformation. The need to link the concept of radical economic transformation with existing policies already being implemented is increasingly becoming the cornerstone of government communication strategy to concerned investors and rating agencies. Despite assurances from government about

policy stability, a negative sentiment on the country's economic growth potential has remained. The persistent negative outlook has been exacerbated by continued low economic growth in the past financial year. Negative sentiments and the prospect of further credit downgrades are expected to increase the cost of government borrowing and squeeze the public fiscus in the medium- to long-term.

The IDT is an integral part of the government service delivery machinery tasked with supporting social infrastructure programme delivery across all spheres of government.

The IDT is an integral part of the government service delivery machinery tasked with supporting social infrastructure programme delivery across all spheres of government. The continued sustainability of this prized asset is under threat due to an imminent financial challenge. Engagements between the DPW, National Treasury and this challenge. The root causes of the current situation include:

- Loss of business portfolio from key clients;
- Inadequate operating systems and resources;
- Inadequate funding of the IDT's transition from a government-funded to a self-sustaining entity;
- Inability to retain skilled personnel and meet performance obligations to clients; and
- Lack of an effective business development and stakeholder management strategy.

To address these, the Board approved a Turnaround Strategy and Plan in August 2015. The plan is now at its second phase with many achievements recorded, particularly in the area of governance and cost containment. However, the present situation calls for more than organisational re-design processes to address the IDT's long-

term sustainability. The provision of transition funding and conclusion of the Business Case and operating model are paramount. On the whole, however, in the past financial year, there were no significant changes in the policy environment which are likely to affect the work of the IDT.

2.4. Strategic Outcome-Oriented Goals

2.4.1. Programme I: Integrated Service Delivery

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

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

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

Renovation of storm-damaged schools in Limpopo



Tshisaphungo Primary School in Limpopo

The 2016 storms that ravaged Musina district in Limpopo province necessitated the Department of Education to introduce the Emergency storm-damaged schools programme. In this programme the IDT was appointed as the implementing agency.

The schools identified for renovation and improvement included Tshisaphungo Primary, Maangani Primary, Tshikuwi Primary Tswehlaneng Secondary and Thabang Primary schools.

At Tshisaphungo Primary, renovations were done in 4 classrooms and 4 new classrooms and a nutrition centre were built. New fencing was also installed.

At Maangani Primary, renovations were done in 2 classrooms, principal's office and staff room. 4 new classrooms, a nutrition centre and a toilet block were built.

At Tshikuwi Primary School 24 classrooms were renovated, 2 new classroom blocks were built together with the administration block and 2 toilet blocks.

Construction of new schools

Welabasha Technical High School in King Cetshwayo District in KwaZulu- Natal

Welabasha Technical High School is part of a number of schools which were earmarked for upgrades and renovations in order to convert them into technical high schools with boarding facilities for the learners.

The IDT was contracted by the KwaZulu-Natal Department of Education (DOE) to build 17 new classrooms, 2 multi-purpose centres, 2 computer laboratories, an administration block, 3 workshops for electrical, civil and mechanical engineering, a hospitality block and a kitchen, a change room for learners who participate in sporting activities, ablution facilities for educators and learners, a media centre, the parking area for educators and visitors, a high capacity water tank and a sewerage treatment plant.

Over and above building these new facilities the IDT was also tasked with renovating 15 old classrooms, a laboratory and ablution facilities.

In completing the R105 million project, the IDT created 128 job opportunities for the local community. These included 22 females, 106 males and 79 youths

The learner enrolment at the school is estimated at 1400. The school also has 43 teachers, 8 Heads of Department, 2 deputy principals, administrative clerks, security guard and cleaners.

Heide Primary School in Free State

Heide Primary is one of the schools built under the Department of Basic Education's Accelerated School Infrastructure Delivery Initiative (ASIDI).

The school was completed in 2016 and currently has an enrolment of 1225 learners and 35 educators.

This school is located 15 km east of Bloemfontein. The scope of work for the construction of the school included 36 classrooms, a grade R facility, nutrition centre, computer laboratory, science laboratory, library/resource centre, multipurpose centre, ablution facilities, security fencing and administration block. The project amount for the school was R43 million and the IDT used local labour to ensure that community benefit through job opportunities. The total number of job opportunities created was one hundred and twenty one (121) and forty three (43) women benefited from these.



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

Priority 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 1: An effective and efficient administration. 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 1: The IDT is an effective, efficient and development-oriented organisation.

Strategic Objective 1: A compliant, results-based, efficient and focused organisation.

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

Priority 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

In the 2016/17 financial year, the IDT had 27 targets. Eleven (11) of the targets were under programme 1 and remainder (16) under programme 2.

2.5. Actual Performance against the Pre-determined Targets

2.5.1. Performance Overview

Despite the harsh operating environment, the IDT continued to strive for effective service delivery. The entity met ten (37.03 %) of its 27 targets and partially achieved nine (33.3 %) of these. The remainder, eight (29.63%) targets were not met.

Table 3 below presents the approved IDT corporate performance standards for pre-determined objectives and targets. The standards are used to determine the level of performance for the organisation.

Table 3: Corporate Performance Rating

Performance Scores	Relative Performance Level in % terms	Strategic Objective 1	Strategic Objective 2	Performance description
1	0-50	4	4	Target Not achieved
2	51-85	2	7	Target Partially achieved
3	86-115	3	4	Target Achieved
4	116-130	1	0	Target exceeded
5	131+	1	1	Target over achieved
Total		11	16	

In 2016/17, the entity spent R4.384 billion on social infrastructure delivery. Figure 3 indicates portfolio spend per programme category. The persistent service delivery discontent in communities has added impetus for the public sector to intensify efforts to increase service delivery outputs. As has been the case in the past seven years, infrastructure is at the centre of the public sector-driven economic growth and development drive of government.

Construction of the Health and Social Development Facilities

Dr Ernesto Che Guevara House – Offices of the Department of Health and Social Development in Limpopo



The R6,135 million project included the revamp of the facility which included building external walls, repainting, tiling, installing new ceiling boards, glazing, installing new plumbing system and new carpets.

The IDT also built a new mini-electrical sub-station, cable installation, distribution boards, lightning, power outlets, wiring, earthing and bonding, data and telephone installation in the building. The building was also fitted with a new generator, UPS, fire detection, local area network and access control system.

In giving these offices a face-lift the IDT created 11 job opportunities for local contractors and community members.

3. Programme 1: Integrated Service Delivery

The IDT is a key player in the country's development. As part of its contribution to social infrastructure and social development programmes, the entity recorded a number of achievements during the reporting period, including:

- The creation of 58 637 work opportunities through the EPWP-NSS initiative;
- Providing support to 391 Non-Profit Organisations (NPOs), Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs) through the EPWP-NSS initiative;
- Expenditure to the value of R3.751 billion on BBBEE, an achievement of 132 percent against target;
- Contracts worth R1.426 billion awarded to women contractors (25 percent of the total awarded);
- Thirty-five (35) government departments (87.5 percent) were supported against a target of 40.

In addition to these achievements, the following targets were partially achieved:

- Overall infrastructure programme expenditure of R4.384 billion (73 percent) against a target of R6 billion;
- Contracts to the value of R708.685 million awarded to youth contractors. This amounts to 12 percent of total programme contracts awarded.

The following are some of the targets where there was under-performance:

- Four (4) new and replacement schools were completed out of a target of 20 (80 percent under-achievement);
- A total of 7 102 work opportunities on IDT programmes were created, out of a target of 15 000, a 53 percent under-achievement;

- No expenditure allocation was recorded for emerging contractors under the Contractor Development Programme (CDP), against a target of 4 percent of total contracts awarded in 2016/17 worth R5 814 648 397.

In addition to these accomplishments 146 hospitals, schools and other facilities were either renovated, upgraded or maintained. All these efforts contribute to the realisation of a number of outcomes, amongst others, Outcome 1: Improved quality basic education and Outcome 4: Decent employment through inclusive economic growth.

3.1. Performance Scorecard

Table 4 below presents a summary of the IDT's 2016/17 performance against set targets. The summary also provides reasons for variance in performance, where applicable.



Table 4: 2016/17 Performance Summary: Programme I (Weight: 60%)

Programme I: Integrated Service Delivery	
STRATEGIC OUTCOME-ORIENTED GOAL I	The IDT contributes to the State's capacity to effectively implement development programmes
GOAL STATEMENT I	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 I	Deliver quality social infrastructure on time and within budget and scope
OBJECTIVE STATEMENT I	IDT's distinctive developmental approach to social infrastructure delivery empowers communities to receive, participate in, own and sustain their own development

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
No. of government departments supported	42	40	35	-5	87.5%	A number of departments experienced budget cuts which resulted in projects being placed on hold.
Value of programme spend	R4.5 billion	R6 billion	R4 383 877 000	-R1 616 123 000	73%	The general fiscal challenges faced by a number of client departments had an impact on the turnaround time for payments which directly impacts on the completion period of projects as envisaged by the below-par expenditure. Capacity constraints within IDT also impacted on timeous delivery of projects.

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
No. of new/ replacement schools completed	18	20	4	-16	20%	Reasons for under-performance include delays in the roll-out of schools due to rationalisation and merging of schools in certain provinces. Delays in project implementation due to (1) late transfer of funds impacting on payments to service providers and delays in approvals of scope of work, and (2) performance challenges linked to emerging contractor circumstances resulted in programme delivery delays. Further, the IDT's technical capacity constraints had an adverse impact on the achievement of the target.
No. of work opportunities created through the IDT portfolio	7 602	15 000	7 102	-7 898	47%	The continued challenge in the creating of work opportunities is still evident in this financial year. The organisation is embarking on a job creation strategy that seeks to address this through revising the tender documents to include local labour targets.
No. of EPWP-NSS work opportunities created	54 155	55 000	58 637	3 637	107%	None
No of EPWP cooperatives, NPOs and CBOs supported	380	360	391	31	109%	None

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
% of weighted BBBEE spend (%)	69.2% (R3 148 705 591)	65% (R3.9 billion)	85.56% (R3 750 989 804)	+20.56% (R149 010 195)	132%	Service providers are generally compliant with BBBEE regulations (have valid BBBEE certificates).
Value of contracts awarded to Women as a percentage of total value of contracts awarded (%)	N/A (Previous year the target was based on programme spend)	20% (R1.2 billion)	25% (R1 426 299 777)	+5% (R226 299 777)	125%	R5 814 648 397 worth of contracts were awarded during the period under review of which just above R1.426 billion was awarded to women service providers.
Value of contracts awarded to youth as a percentage of total value of contracts awarded (%)	N/A (Previous year the target was based on programme spend)	15% (R900 million)	12% (R708 685 490)	-3% (-R191 314 508)	80%	R5 814 648 397 worth of contracts were awarded during the period under review of which just above R700 million was awarded to youth service providers.
% women contractors participating in the Contractor Development Programme (CDP)	67%	65%	0%	-65%	0%	This target is based on the participants who have been on the programme for the past 5 years. Plans are underway to facilitate intake for the new cycle.
Value of programme contracts awarded to Contractor Development Participants as a percentage of total value of contracts awarded	0.1% (R2.9 million)	4% (R240 million)	0%	-4%	0%	There were no allocations to participants in the programme during the reporting period.

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
Strategies to overcome under-performance						
Value of total programme spend: R4 383 877 000 against a target of R 6 billion			Identify blockages within value chain that affect effective delivery of projects.			
Number of schools replaced: 4 against a target of 20			Align planning processes with Infrastructure Delivery Management System (IDMS) requirements to ensure proper planning of projects. Collaborate with clients to complete planning processes by end of year before to the commencement of construction.			
Number of work opportunities created through IDT: 7 102 against a target of 15 000			Review target set against projects to be implemented. Monitor adherence to employment targets set per individual project.			
Value of contracts awarded to contractor development programme participants as a % of total value of contracts awarded: 0% against a target of 4%.			Recruit new intake of CDP participants and monitor adherence to targets on a monthly basis.			

Figure 2: Expenditure Performance Trend; 2013/14 – 2016/17

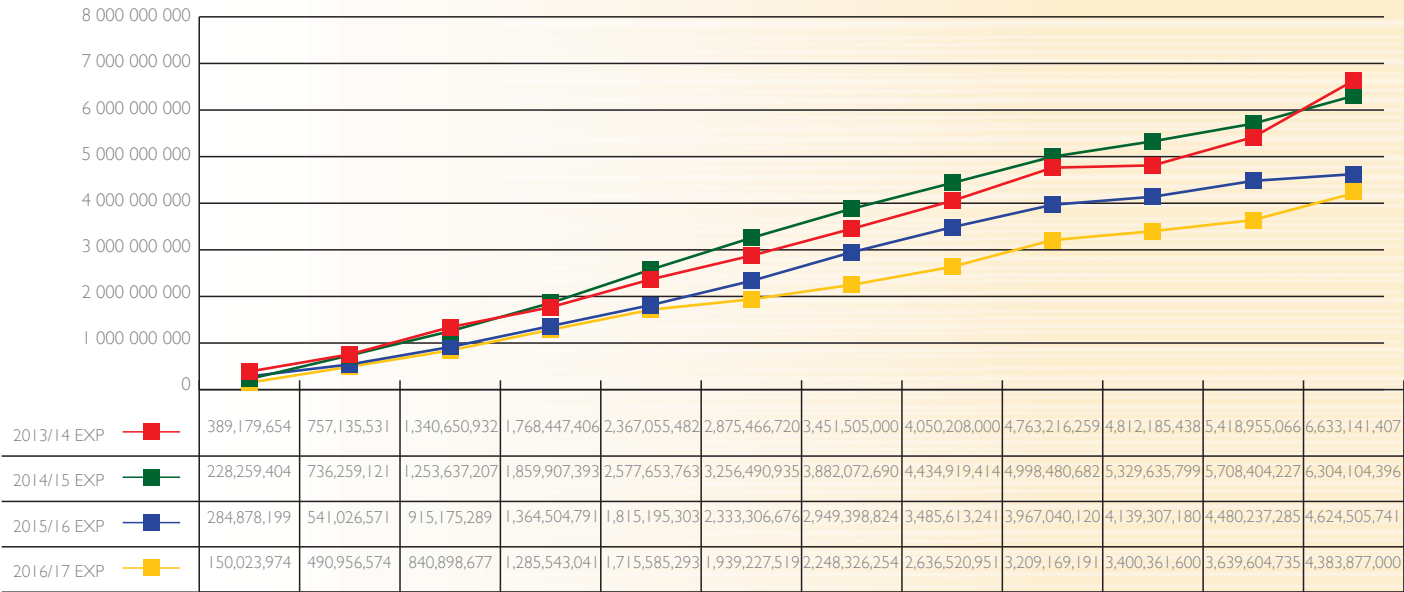
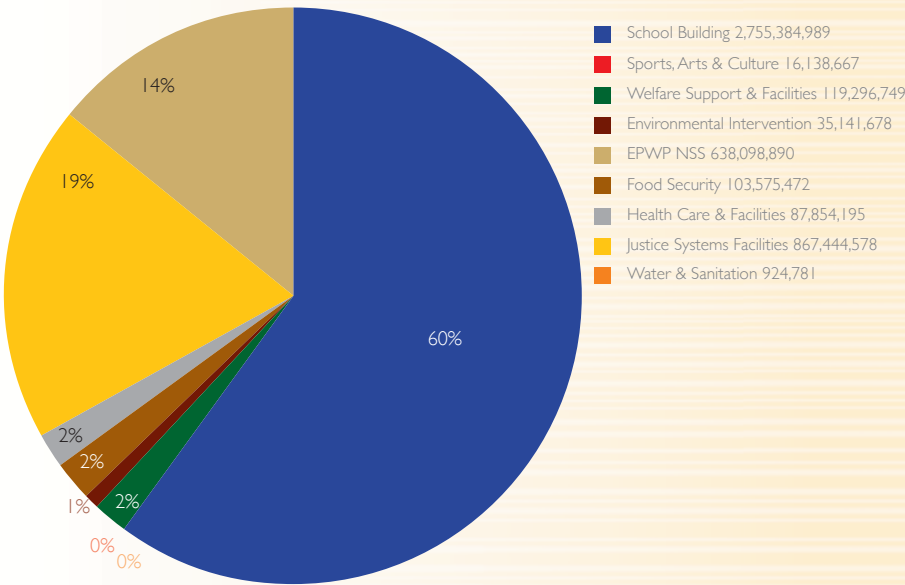


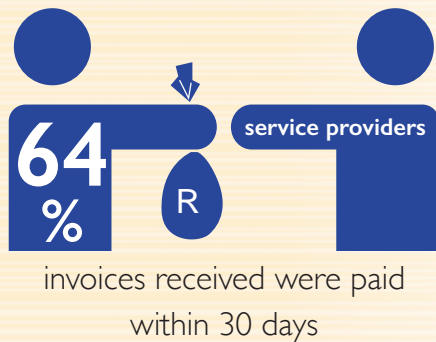
Figure 2 above and figure 3 (below) provide a summary of the programme spend per programme portfolio.

Figure 3: Portfolio Spend per Programme



4. Programme 2: Administration

In order to build a financially viable, compliant, results-based, efficient and focused organisation, the entity also reached a number of key milestones during the reporting period (refer to Table 5). Achievements included improvements in payment turnaround times, risk management, corporate efficiency ratio, human resource management and strategies to address the negative audit outcomes. Key achievements in this respect include:



- Sixty-four percent (64%) of invoices received from service providers that were paid within 30 days in order to improve efficiency in the turnaround time for payments;

- Developing and implementing the Enterprise Risk Management strategy to mitigate the negative impact of risks emerging in the operating environment;
- Submitting the draft Human Capital Strategy to EXCO for approval. Unfortunately, the process is halted because of the organisational repositioning now underway;
- Recording a 92% corporate occupancy level on funded positions;
- Billing an average 4.8% management fee from clients against a target of 6.5% as part of contributing to financial sustainability;
- Achieving a revenue collection rate of 82%;
- Attaining a corporate efficiency ratio of 7.5% against a target of 6.5%;
- Developing, implementing and monitoring audit action plans for business units and the regions.

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

Table 5: 2016/17 Performance Summary: Programme 2 (Weight: 40%)

Programme 2:Administration						
STRATEGIC OUTCOME-ORIENTED GOAL 2			An effective and efficient administration			
GOAL STATEMENT			The IDT is a relevant, effective, efficient and sustainable organisation			
PROGRAMME NAME: ADMINISTRATION						
STRATEGIC OBJECTIVE 2			A financially viable, compliant, results-based, efficient and focused organisation			
OBJECTIVE STATEMENT 2			Building a sustainable organisation and maintaining a clean administration which is committed to the efficient application of resources, compliance with regulations and legislation and which is accountable			
OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
Effective financial and non-financial performance management	Disclaimed audit opinion	Financial audit outcome: unqualified	Disclaimed audit opinion	-100%	0%	The main causes of previous year's disclaimer, i.e. take-on balances successfully addressed. Unfortunately a new cut-off challenge which resulted in the disclaimer emerged.
	Qualified audit opinion	Performance information audit outcome: unqualified	Qualified audit outcome	-100%	0%	Qualification due to the disclaimer on programme expenditure.
	N/A (New target)	Average number of days for payments from date of invoice receipt: 30 days	On average 64% of invoices are paid within 30 days	36%	64%	Delays in programme funds transfers by clients affect the payment turnaround time.

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
Effective risk management	Risk management structures in place and functional	An approved business continuity strategy and plan	Business continuity strategy development deferred to 2017/18 financial year due to financial constraints	100%	0%	Business continuity strategy development deferred to 2017/18 financial year due to financial constraints.
	Risk management framework implemented	Enterprise risk management strategy and plan in place and implemented	Enterprise risk management strategy and plan in place and implemented Risk management strategy review was undertaken after year-end Performance assessed at 70%	-30%	70%	Delay in risk management strategy review was due to the expiry of the Board's term and the need to allow the new Board time for orientation prior to the strategic risk review. Operational strategy was however continuously reviewed by management to respond to emerging risks.
Effective human capital management	Effective human capital management	Human capital strategy and plan approved and implemented	The draft human capital strategy was submitted to EXCO for approval but was halted because of the organisational repositioning which is underway. Performance assessed at 70%	-30%	70%	Process of developing the human capital plan to be restarted after the conclusion of the organisational re-structuring exercise during the 2017/18 financial year.
Effective human capital management	Corporate occupancy level at 91%	Corporate occupancy level for funded positions 90% minimum	Corporate occupancy level at 92%	+2%	102%	None
	Internal organisational refocus and streamlining plan approved and implemented: effective performance	Approved Employment Equity Plan indicating targets per racial group, gender and disability	Employment Equity Plan approved Performance assessed at 100%	0%	100%	None

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
IDT's sustainability safeguarded	Annual average management fee billed: 5%	Annual average management fee billed: 6.5%	Average management fee billed: 4.8%	-1.7%	73.8%	Negotiations with clients on the implementation of the Treasury instruction note on management fees took longer due to client budgetary constraints.
	Annual management fee collection rate: 88%	Annual management fee collection rate: 95%	Current collection rate based on full debtors' book is 82%	-13%	86.3%	Management fee collection rate affected by delays in negotiations with clients on the rate of fees.
	Refocused management structure developed and approved	Organogram reviewed, updated and approved	Macro structure approved and implemented. However, micro structure to be developed during the 2017/18 financial year Performance assessed at 70%	-30	70%	The micro structure will be approved by the Board during Q2 of the 2017/18 financial year.
% Efficient operations	% Efficient ratio: 7.8%	Corporate efficiency ratio: 6.5%	Corporate efficiency ratio: 7.5%	-1%	84.6%	Target not achieved due to lower programme delivery level (a higher rate indicates negative performance).
	Cost-containment strategy under implementation	Corporate budget savings: minimum 5%	Corporate budget savings: 21.6%	+16.6%	432%	Achieved above benchmark.
% Efficient operations	Not in previous financial years (Targeted at business unit level)	Effective vendor management system enabling accurate reporting on empowerment targets	Not Achieved	-100%	0%	Work on the vendor management system to be prioritised in the 2017/18 financial year.

OBJECTIVE INDICATOR	BASELINE	ANNUAL TARGET	ACTUAL	VARIANCE	ACHIEVED	COMMENTS
Effective communication and stakeholder management strategy	Effective communications and stakeholder management strategy: strategy under implementation	Approved corporate communication strategy and plan in place	Communication plan approved and implemented Performance assessed at 86%	-14%	86%	None
	Five (5) corporate profile-building campaigns undertaken during the financial year using various media platforms	At least 4 EXCO-approved comprehensive profile-building corporate media campaigns undertaken in electronic and print media	Three (3) campaigns undertaken by the end of Q4	-25%	75%	Four (4) campaigns were planned for the year, but only 3 were achieved.
Strategies to overcome under-performance						
Target			Measure			
Average number of days for payments from date of invoice receipt: 30 days			The entity has initiated close interactions with client departments to resolve disputes that often lead to delays in transfer of funds.			
An approved business continuity strategy and plan			Deferred to 2017/18.			
Human capital strategy and plan approved and implemented			Process of developing the human capital strategy to be restarted in 2017/18.			
Annual management fee billed: 6.5%			Entity plans to accelerate programme expenditure.			
Effective vendor management system enabling accurate reporting on empowerment targets			To be prioritised in the 2017/18 financial year.			

5. Linking Performance with Budgets

The organisation's total overhead expenditure, as shown in Table 6 amounted to R369.283 million.

Table 6: Budgets and Expenditure by Organisational Strategic Objectives as at 31 March 2017

Strategic Objective	Ratio	Actual March 2017 R'000	Budget March 2017 R'000
Deliver quality social infrastructure on time, and within budget and scope	70%	R258 498	R307 727
A compliant, results-based, efficient and focused organisation	30%	R110 785	R131 883
Total	100%	R369 283	R439 611

The five (5) 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 entity. The IDT provides and is paid for specialist skills, mainly programme management, supply chain management and contract management. Furthermore, travelling to and from sites by, and accommodation of programme management personnel is inadvertently part of ensuring the value to clients.

Table 7: Major cost drivers of Overheads

Cost category	Actual (R'000)	Percentage of Overhead
Salaries	R 204 901	55.5%
Facilities	R12 874	3.49%
Travel ²	R17 632	4.77%
Consultancy fees	R16 682	4.44%
Legal fees	R11 496	3.17%
Total Expenditure on key cost drivers	R263 585	71.37%
Total Operational Expenditure	R369 283	100%

The cost-drivers shown in table 7 account for over 71.4% of the total overhead expenditure. Overhead expenditure is the investment that the organisation makes in order to deliver its programmes. The efficiency ratio of 7.5%, demonstrates the level of cost efficiency with which the IDT undertakes its business.

² This includes programme-related travel which is recoverable from clients

Construction of courts

As the Mpumalanga High Court nears completion, the Independent Development Trust (IDT) has created over 1 100 job opportunities for local labour in Ehhlazeni District. In addition 22 locals were trained in brick laying, tiling and paving while 15 small, micro and medium enterprises (SMMEs) were established and trained in financial management.

The R665-million four-storey building will house 18 judges' chambers including that of the newly appointed Judge President of the Mpumalanga High Court, 6 Criminal Courts, 6 Civil Courts SAPS holding cells, offices of the State Attorney, Legal Aid South Africa, Master of the High Court, National Prosecuting Authority and the Family Advocate.



Mpumalanga High Court in Nelspruit



Plettenberg Bay Magistrate's court in Western Cape

The construction of the Plettenberg Bay Magistrate's court is expected to be completed in September 2017. The court houses; Magistrates offices, 1 high court, 2 regional courts, 3 Criminal Courts, 2 Civil Courts, 1 Equality Court, cell holding rooms, family advocate services, cash hall, administration and court offices.

Construction of the Booyens Magistrate's Court commenced in June 2016 and will be completed in February 2018. The court consists of 1 high court, 2 civil courts, 1 equality court, holding cells, family advocate services, cash hall, administration and court offices, ablution facilities.



Booyens Magistrate's Court in Gauteng

Part C:

GOVERNANCE



Board of Trustees



Mr N Ngubane
Chairperson of the Board



Mr A Baloyi
Deputy Chairperson of the Board



Mr T Motswaledi
Board Member



Mr Z Zitha
Board Member



Ms P Nkomo
Board Member



Dr G Kabanyane
Board Member



Dr L Zitha
Board Member



Mr R Patel
Board Member



Mr S Biniza
Board Member



Ms O Matloa
Board Member



Ms A Makhado
Board Member



Mr V Skhosana
Company Secretary

1. Introduction

At the IDT, maintenance of an effective governance system is not only a compliance matter but also an indication of the entity's commitment to being an accountable corporate citizen to all stakeholders, including the shareholder and the country's citizens. This governance section of the Annual Report provides highlights on the entity's efforts towards maintaining and strengthening good governance practices in line with statutory parameters, the Deed of Trust, the Shareholder's Compact and the underlying corporate values.

2. Portfolio Committee

The Portfolio Committee on Public Works oversees the activities of the IDT. As part of its corporate governance responsibilities and oversight, the IDT briefs this Committee on related activities, including responding to parliamentary questions. During the reporting period, IDT briefed the committee on its 2016/17 Annual Performance Plan and the 2015/16 Annual Report. As part of the Portfolio Committee oversight role on the Department of Public Works, project site visits were undertaken in Mpumalanga province and the IDT assisted the Department of Public Works in identifying projects implemented for visitation by the Committee.

During the year under review the IDT accompanied some client departments on their presentations to various portfolio committees on the programmes implemented by the IDT.

3. Executive Authority

The IDT is classified as a Schedule 2 Public Entity under the Public Finance Management Act No 1 of 1999 (as amended) and is wholly owned by Government. The Shareholder representative is the Minister of Public Works and the IDT reports to the Ministry and accounts for its affairs to Parliament through the Minister of Public Works as its Executive Authority.

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

The record of compliance with specific requirements as per the Shareholders' Compact on submissions made to the Office of the Minister of Public Works is covered under section 5.4 below.

4. The Board

The Board of Trustees of the IDT is the Accounting Authority as defined in the Public Finance Management Act, 1999. Various instruments define the role and responsibilities of the Board, which are then encapsulated into the Board Charter to define the fundamental purpose of the Board.

As a collective, the Board defines the strategic direction of the organisation, establish and set the ethical tone of leadership and also monitors and evaluates organisational performance against predetermined objectives.

4.1. Functioning of the Board

In compliance with the Public Finance Management Act, and the Shareholder Compact, the Minister appointed a new Board of Trustees from 1 November 2016.

One of the key priorities of the newly appointed Board is to speed up the process of bringing certainty of mandate and funding of the IDT to conclusion. The Board has the responsibility of setting the strategic direction of the IDT towards fulfilling its mandate. It is committed to the application of sound corporate governance principles as enshrined in the King report on Corporate Governance. It is to this end that the Board continuously exercise 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 regard to the applicable governance and regulatory prescripts. The Board

is also applying the recommendations of King IV with a view of identifying further governance improvement areas.

The Board regulates its powers and responsibilities where it allocates certain powers, rights and responsibilities through the Delegation of Authority Framework to constituted committees and the Chief Executive Officer. During the reporting period, the Board considered and approved an interim senior management structure aimed at creating stability in the leadership of the organisation. This structure is interim as the final structure is pending the finalisation of the Business Case of the IDT. As at the end of the reporting period, all the executive management roles as per the approved interim structure were filled, bringing stability to the leadership of the organisation.

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

4.1.1. Skills assessment and composition of committees:

Following recent changes on the Board, a skills assessment of members was conducted to ensure placement and appropriate balance of Board committees to assist the Board in its oversight. The Board skills entail governance, finance, law, built-environment and development management. The Board welcomed the energy brought by the new additions who are respected and experienced professionals in their fields.

4.1.2. Filling of executive management positions.

The Board considered and approved the principles that guided the Chief Executive Officer to conclude the appointment process of the executive management positions during the reporting period.

4.1.3. Performance of the organisation and litigation management:

The performance of the organisation has in recent times been on a downward trajectory. The Board took note of changes in the

operating environment and fiscal allocations in client departments. A number of client departments continued to delay transfers of programme funds to the IDT and this remained a major concern due to the risk of litigation, damage to reputation as well as the late payment of service providers. Several departments have adopted the practice of requiring the service providers' invoices to be submitted to them prior to the transfer of funds. This has had a negative impact on the payment turn-around time which in turn negatively affected the cash flow of the service providers, especially small and emerging contractors, who can hardly afford delays in payment. The delays continued despite provisions in agreements between the IDT and client departments. As part of the ongoing risk assessment, the Board identified this as a strategic risk for the organisation with an impact on its standing as a going concern.

A Task Team of the Board and Executive Management was constituted to address interventions aimed at implementing the Board approved litigation management strategy. Part of the identified solutions was to approach client departments to engage them in the implementation of the reviewed IDT contracting model which aimed at clarifying roles of parties involved in the implementation of major programmes. The team also identified bottlenecks preventing the successful completion of projects and deliberated on possible solutions.

4.1.4. Remuneration Model of the IDT:

The IDT has been applying a two-pronged remuneration model until the Board approved migration to the new remuneration model the implementation of which will be aligned with the organisational development process currently underway.

4.1.5. Annual Performance Plan (APP): Shareholders' Compact and Budget for 2017/18:

In line with Section 52 of the Public Finance Management Act, the entity submitted its APP, Shareholders' Compact and Budget for the 2017/18 to the Department of Public Works (DPW) and National Treasury. The Board reports on performance and related matters

through quarterly reports to the Executive Authority and meetings are convened at technical level with the DPW administration. The 2017/18 APP, Shareholders' Compact and Budget were tabled in Parliament on 10 March 2017.

The Board resolved that approval of the MTEF budget, as submitted together with the 2017/18 Annual Performance Plan, is dependent upon the entity obtaining a letter of comfort from the Department of Public Works to fund the anticipated shortfall. In its letter to the Minister dated 7 March 2017, the IDT requested funding support to address the 2017/18 – 2019/20 MTEF budgeted deficit to balance the budget. Consultation between the IDT, Department of Public Works and National Treasury resulted in short to medium term solution whilst the Ministry is working on the long-term intervention.

4.1.6. Turnaround Strategy:

The Board convened a two-day strategy workshop in March 2017 to consider interventions required for the implementation of the 2017/18 APP and budget given the financial outlook of the organisation and the impact of the operating environment. The outcome of the workshop was the identification of turnaround strategy interventions aimed towards a focused, growing and sustainable IDT. Details of the turnaround road map and interventions are to be incorporated in the Reviewed Turnaround Strategy and 2017/18 Implementation Plan.

These interventions revolved around the following key themes:

- Financial recovery;
- Institutional reorganisation;
- Service improvements; and
- Audit disclaimer reversal.

4.2. Board Charter

The Board operated within the approved charter. The Board Charter outlines the purpose of the Board, in line with the Section 50 and Section 51 of the PFMA dealing with the Fiduciary Duties and General Responsibilities of the Accounting Authorities, respectively, as well as the Shareholder's Compact. Drawing from the Board Charter, the role of the Board is to serve as the focal point and custodian of corporate governance. The broad leadership role of the Board includes; providing direction and strategy; giving effect to strategy by approving policy, including plans, frameworks structures and procedures; provide oversight of implementation; and demonstrate accountability and transparency through disclosure.

The Board Charter further details the responsibilities of the Board on the following areas:

- 4.2.1 Ethics;
- 4.2.2 Performance and value creation;
- 4.2.3 Board structures and delegation;
- 4.2.4 Functional governance areas – risk and opportunity, information and technology, compliance management as well as remuneration practices;
- 4.2.5 Stakeholder relationships;
- 4.2.6 Disclosure and reporting; and
- 4.2.7 Setting standards for seeking independent professional advice.

4.3. Composition of the Board

The Board consists of non-executive Trustees who are drawn from diverse backgrounds and hold a variety of skills and competencies. The Trust Deed (No. 669/91) prescribes the composition of

the Board and the appointment process. There shall be a Board consisting of twelve members, two of whom are appointed by the Executive Authority and other ten appointed as per the process outlined in Section 8.3 of the Trust Deed.

The current Board, appointed in November 2016 for a four year term, consists of the following members:

- 4.3.1 Dr Somadoda Fikeni; Board Chairperson (Reappointed as Chairperson from 1 November 2016. Initial appointment to the Board is 1 July 2012, resigned in July 2017 and replaced by Mr Nhlanhla Ngubane).
- 4.3.2 Ms Nomvula Rakolote; Deputy Chairperson and Chairperson of the Human Resources and Corporate Services Committee (Appointed from 1 November 2016, resigned in July 2017 and replaced by Mr Alan Baloyi).
- 4.3.3 Mr Tlhotse Motswaledi; Chairperson of the Strategic Planning and Programmes Committee (Reappointed to the Board from 1 November 2016. Initial appointment to the Board: 1 July 2012).
- 4.3.4 Mr Zakhele Zitha; Chairperson of the Finance Committee (Reappointed to the Board from 1 November 2016. Initial appointment to the Board: 1 July 2012).
- 4.3.5 Mr S Biniza (Appointed from 1 November 2016).
- 4.3.6 Ms Andani Makhado (Appointed from 1 November 2016).
- 4.3.7 Ms Octavia Matloa (Appointed from 1 November 2016).
- 4.3.8 Ms Phelisa Nkomo (Reappointed to the Board from 1 November 2016. Initial appointment to the Board: 1 July 2012).
- 4.3.9 Mr Rashid Patel (Reappointed to the Board from 1 November 2016. Initial appointment to the Board: 1 July

2012).

- 4.3.10 Dr L Zitha (Reappointed to the Board from 1 November 2016. Initial appointment to the Board: 28 March 2015).
- 4.3.11 Dr Gcwalisile Kabanyane (Reappointed to the Board from 1 November 2016. Initial appointment to the Board: 1 July 2012).
- 4.3.12 Mr Theo Adams (Appointed from 28 March 2015 and term expired on 31 October 2016).
- 4.3.13 Ms Zandile Mdhladhla (Appointed to the Board in 2008 and, having served two terms, membership expired on 31 October 2016).
- 4.3.14 Ms Thoko Mpumlwana (Appointed to the Board in 2008 and, having served two terms, membership expired on 31 October 2016).
- 4.3.15 Mr Mike Mlengana (Appointed to the Board on 1 July 2012 and resigned on 1 July 2016).

Table 8 provides a summary of the Board and Committee meetings and other engagements such as workshops undertaken by the Board.

Table 8: Board attendance: 1 April 2016 to 31 March 2017

	Board Meeting	Board Executive Committee	Finance Committee	Strategic Planning & Programmes Committee	Human Resources & Corporate Services Committee	Audit & Risk Committee
Number of meetings	6	9	4	3	5	7
Scheduled	4	4	4	3	3	3
Strategy	1					
Combined FINCO/ARCO						4
Special	1	5			2	
Trustees appointed from 1 July 2012 to 31 October 2016 and reappointed from 1 November 2016						
Dr S Fikeni	6/6	9/9	N/A			
Mr T Motswaledi	6/6	9/9	N/A	1/1 (Chair)	5/5	1/1
Mr T Adams	2/3	N/A		0/2	N/A	
Mr B Matutle	3/3	N/A	1/2	1/2	N/A	1/4
Ms P Nkomo	5/6	N/A	1/4	2/3	N/A	2/6
Mr R Patel	6/6	9/9	N/A	N/A	5/5	7/7
Mr Z Zitha	6/6		4/4 (Chair)		2/2	6/7
Dr G Kabanyane	4/6	N/A	N/A	3/3	5/5	6/7
Trustees appointed in March 2015 to 31 October 2016 and reappointed from 1 November 2016						
Mr T Adams	2/3	N/A		0/2	N/A	
Dr L Zitha	4/6	N/A	3/4	N/A		2/4
New Trustees appointed from 1 November 2016						
Ms N Rakolote	2/3	2/3	N/A		2/2 (Chair)	1/1
Mr S Biniza	2/3	N/A	2/2	1/1	N/A	N/A
Ms A Makhado	2/3		N/A	1/1		1/1
Ms O Matloa	3/3		2/2	N/A		1/1
Former Trustees appointed from 1 July 2012 whose term expired on 31 October 2016 or resigned						
Ms L Mdhlahdla	3/3	N/A	2/2	N/A	2/3	3/4
Mrs T Mpumlwana	3/3	6/6	N/A	2/2 (Chair)	3/3	N/A
Mr M Mlengana	2/2	N/A	1/1	1/1	N/A	2/2
Independent Chairperson of the Audit and Risk Committee						
Ms S Boulton	6/6	8/8	N/A	N/A	1/1	7/7 (Chair)

4.4. Board Committees

As per its charter, the Board had constituted sub-committees to assist it in executing its mandate. The Committees, as summarised in Table 8 below, had 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. Board Committees included the:

- Audit and Risk Committee;
- Finance Committee;
- Strategic Planning and Programmes Committee;
- Human Resources and Corporate Services Committee; and
- Board Executive Committee.

4.5. Company Secretary

The Board of Trustees have access to the advice and guidance of the company secretary who guides the trustees in executing their duties and on matters relating to 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 trustees' responsibilities. The induction also includes a briefing on the organisation's governance structure, operations, policies and operational matters, in order to enable them to fulfil their oversight duties and responsibilities.

4.6. Executive Management Committee and other management committees

During the period under review, the Executive Management Committee (EXCO), Management Committee (MANCO) and various committees met as per the approved corporate calendar. EXCO held formal meetings on a fortnightly basis and also when necessary at other times. The Policy Management Committee (PMC) met in scheduled meetings to consider and recommend to the appropriate governance structures policies for review and approval. The Risk Management Committee (RMC), chaired by the CEO and reporting to the ARCO, met quarterly to recommend to it 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 and Fraud Prevention Strategies.



Portfolio Committee Oversight Visit to Barberton Correctional Services Facility

Table 9: Board Committees

Committee Members	Mandate of the Committee
Board Executive Committee	
Dr S Fikeni (Chairperson) Ms N Rakolote Mr Z Zitha Mr T Motswaledi Ms T Mpumlwana	<p>a) The Committee's role is to:</p> <p>i) 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;</p> <p>ii) oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;</p> <p>iii) review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved; and</p> <p>iv) attend to urgent matters of strategic importance (delegated and/or not delegated to Committees) in between the Board meetings.</p>
Audit and Risk Committee	
Ms S Boulton (Chairperson) Ms O Matloa Ms N Rakolote Mr R Patel Ms A Makhado Dr L Zitha Ms P Nkomo	<p>a) It is a statutory Committee as set out in the Public Finance Management Act (PFMA) and the Companies Act as well as the King Report on Corporate Governance.</p> <p>b) It assists the Board with oversight over:</p> <p>i) financial management/reporting and disclosure;</p> <p>ii) internal control and risk management systems;</p> <p>iii) approval and confirmation of the internal audit plans and recommend the audit charter for approval;</p> <p>iv) combined assurance functions; and</p> <p>v) Information Technology Governance.</p>
Finance Committee	
Mr Z Zitha (Chairperson) Mr S Biniza Ms O Matloa Dr L Zitha Ms P Nkomo Ms Z Mdhladhla	<p>a) The Committee's role is to:</p> <p>i) review the Annual Financial Statements and recommend them for approval to the Board;</p> <p>ii) consider the budgets presented to the committee and make recommendations to the Board;</p> <p>iii) monitor (in-year) IDT's overall financial performance on a quarterly basis;</p> <p>iv) consider investment matters in conjunction with the CEO and the Head of Finance; and</p> <p>v) consider financial reports of the IDT.</p>

Committee Members	Mandate of the Committee
Strategic Planning and Programmes Committee	
Mr T Motswaledi (Chairperson)	a) The Committee's main function is to assess and recommend the new business strategies and corporate strategies to the Board, through the following: i) Consideration and recommendation of the organization's strategy and recommendation thereof to the Board. ii) Reviewing of the strategic positioning of the IDT. iii) Tracking the organization's performance against set targets. iv) Tracking the performance of core Bbusiness against set objectives. Providing input to the Board on overall performance of the organization against set objectives.
Mr S Biniza	
Ms A Makhado	
Dr G Kabanyane	
Ms P Nkomo	
Ms T Mpumlwana (former Chairperson)	
Mr M Mlengana	
Human Resources and Corporate Services Committee	
Ms N Rakolote (Chairperson)	a) The Committee's role is to: i) assist the Board by examining all Ccorporate Sservices matters which includes Human Resources, Information Technology and Legal Services; ii) approve business plans, quarterly, half-yearly and annual performance reports and performance assessment of the Units it oversees; iii) consider the annual salary negotiations mandate for Bargaining Unit staff and recommendation to the Board EXCO; and iv) Align organization's policies with the overall strategic objectives
Mr T Motswaledi	
Dr G Kabanyane	
Mr Z Zitha	
Mr R Patel	
Ms Z Mdhladhla	
Ms T Mpumlwana	

5. Risk Management

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

The organisation's Risk Management Strategy is an essential instrument for managing risks and aims to:

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

The Risk Management Committee, chaired by the Chief Executive Officer and reporting to the ARCO, has the responsibility to review the organisation's Risk Management Strategy. The Compliance and Risk Office is tasked with the responsibility of ensuring constant monitoring and reporting on progress made in mitigating risks within the organisation. During the reporting period, the key risks highlighted below were identified.

5.1. Unlegislated Mandate

Delays in legislating the IDT mandate have affected the organisation in concluding the review of its service model and staff structure. While the Executive Authority has expressed its desire to see the IDT playing a lead role in social infrastructure delivery, the lack of a founding legislation on the matter creates difficulties with respect to the resourcing of the organisation. This has also given rise to the following:

- Impaired organisational performance;
- Uncertainty of job tenure and loss of skills; and
- Negative impact on long-term strategic planning.

To counter these negative repercussions, the following measures have been implemented:

- a) Provision of technical support to the Department of Public Works in the development of the long-term sustainability Operating Model;
- b) Development of a turnaround strategy to refocus the organisation and to safeguard its financial viability; and
- c) Engagements with the National Department of Public Works and National Treasury to secure transition-period funding.

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 remained high. This has had a ripple effect as programme management capacity has been reduced, leading to below-expected programme and project management service standards, resulting in some clients withdrawing business. To avert or reduce the damage to the image of the organisation and to safeguard operational viability, the IDT

is reviewing its service delivery process to address concerns of client departments and the Executive Authority. Interventions in this regard include:

- Utilising a dedicated stakeholder management resource to support regional offices and the CEO;
- The Board actively participating in client relations management and in business development;
- Improving SCM processes to strengthen local empowerment; and
- Reviewing key delivery function processes to improve service and cost efficiency.

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 others, has been the disclaimed audit opinion. To address

these concerns, the following are among the measures that will be instituted:

- Closely monitoring the implementation of the audit action plan;
- Reviewing the financial services processes and procedures; and.
- Addressing human resources capacity constraints in critical functions, e.g. SCM, Finance, Compliance and Risk management.

5.4. 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 summarises the submission of compliance reports to various appropriate accountability structures.

Table 10: Compliance Record for the 2016/17 Financial Year

Dates	Document	Submitted to/Presentation
30 April 2016	2015/16 Year-end Performance Report to the Executive Authority	Office of the Minister of Public Works
31 May 2016	2015/16 Unaudited Annual Financial Statements	Auditor-General South Africa and National Treasury
30 June 2016	2016/17 Q1 Performance Report to the Executive Authority	Office of the Minister of Public Works
30 Sept. 2016	2015/16 Annual Report	Executive Authority for tabling to Parliament
31 Oct. 2016	2016/17 Q2 Performance Report to the Executive Authority	Office of the Minister of Public Works
31 Jan. 2017	2016/17 Q3 Performance Report to the Executive Authority	Office of the Minister of Public Works
31 Jan. 2017	2017/18 Annual Performance Plan	Office of the Minister of Public Works
10 March 2017	2017/18 Print copy of the Annual Performance Plan	Tabling to Parliament
14 March 2017	2017/18 Print copy of the Annual Performance Plan	National Treasury

From the above, it is noted that the submission of the 2017/18 Annual Performance Plan to the National Treasury missed the statutory deadline of 28 February 2017. This was mainly due to an oversight and the APP was submitted to the Executive Authority only by the due date instead of also submitting to the National Treasury.

5.5. Anti-Fraud and Corruption

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

The IDT is committed to the eradication of unethical behaviour, fraud and corruption in the work environment, and ensuring that the public funds it is entrusted with are wholly and properly applied in pursuit of its mandate. The IDT has a zero-tolerance attitude to fraud. The fraud prevention policy and fraud prevention plan are implemented to ensure that a fraud and corruption-free environment is created and sustained. All fraudulent activities are investigated and followed up by application of remedies available within the law. Actions taken include the implementation of appropriate prevention and detection controls.

The IDT has established an independent fraud hotline to which suspected instances of fraud can be reported in a manner that ensures the whistle-blower's confidentiality. All reported cases are investigated and action plans monitored by the Audit and Risk Committee and the Board of Trustees.

5.6. Minimising Conflict of Interest

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

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

5.7. 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 being a standard item in all induction workshops for new employees.

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

6. Social Responsibility

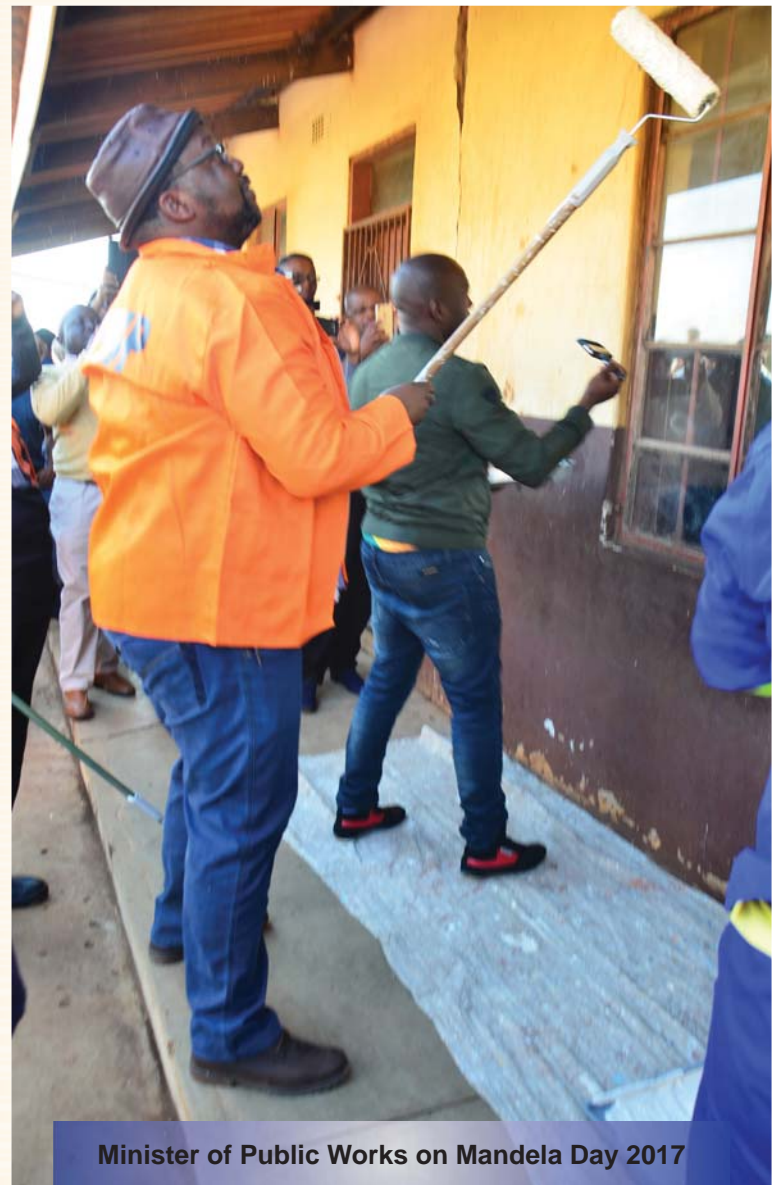
The IDT is an organisation that works with poor and vulnerable people in rural and marginalised communities. The IDT's Corporate Social Investment practice is built upon the principles of fairness, social responsibility, transparency, accountability, and "Ubuntu". Furthermore, the organisation is committed 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 which commit the IDT to being a people-centred organisation. The corresponding operating principles state that the entity:

- Improves the lives of people;
- Puts people first; and
- Is open and honest in all its communications.

Based on these operating principles, the organisation undertakes Corporate Social Investments (CSI) aimed at community building and empowerment. The overall objective of the IDT's CSI practice ensures that it is a caring, giving and responsible organisation that nurtures and supports disadvantaged communities. 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 improve the organisation's relationship with communities;
- To build brand equity and identity in the communities; and
- To put into practice, the organisational values and operating principles.



Minister of Public Works on Mandela Day 2017

Part D:

HUMAN RESOURCE MANAGEMENT



1. Introduction

The IDT is in a transitional state which requires that its organisational structure be reviewed. As part of this process, an interim macro structure was finalised. All key positions, including top management ones, were filled during the reporting period. This will strengthen capacity as well as strategic management and leadership. It will inform the Human Resources Plan to be implemented in the next financial year. Although notable progress was made in some areas during the period under review, there is room for improvement in some functional areas. Progress includes the appointment of top management and executives as part of the implementation of the Human Capital Strategy, which has the recruitment of best skills as its centrepiece. This is informed by the entity's belief that a skilled, motivated and effectively utilised workforce is a key differentiator of business performance and financial success of the enterprise. Similarly, 110 temporary personnel were recruited to address findings emanating from the previous year's audit.

As part of efforts to contribute to building human capital in the country, 36 interns were recruited and were attached to different units throughout the organisation. In addition to this, the entity awarded bursaries to 15 prospective employees in the built environment disciplines. Furthermore, technical staff received training on construction project management offered by the University of the Witwatersrand, Johannesburg. The well-being of staff remained uppermost priority. An organisation-wide wellness screening campaign, which sought to encourage employees to understand their health status, was rolled-out during the reporting period. Other achievements for the period include improving records management by focusing on sorting, classification and retrieval of documents and files.

2. Human Resources Oversight Statistics

Table 11: Personnel Cost by Programme

Programme / activity / objective	Personnel Expenditure R	Personnel Expenditure as a total % of Expenditure	No of employees	Average personnel cost per Employee R
Core Business	98 769 146	48.15	177	558 018
Support	106 372 189	51.85	182	584 463
	205 141 334	100	359	571 424

2.1. Personnel Cost by Salary Band

Table 12 (below) indicates personnel cost by salary bands.

Table 12 Personnel Cost by Salary Band

LEVEL	Personnel Expenditure R	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee R
Top Management	10 680 546	5.27	6	1 780 091
Senior Management	39 995 499	19.15	32	1 249 859
Professional qualified	55 349 284	27.29	66	838 625
Skilled	62 568 630	30.16	121	517 096
Semi-Skilled	34 988 117	17.37	123	284 456
Unskilled	1 559 258	0.76	11	141 751
TOTAL	205 141 334	100	359	571 424

2.2. Performance Rewards

There is no information on performance rewards since there were no performance bonuses in the 2016/17 financial year.

Table 13 Personnel Cost by Levels, 2016/17 Financial Year

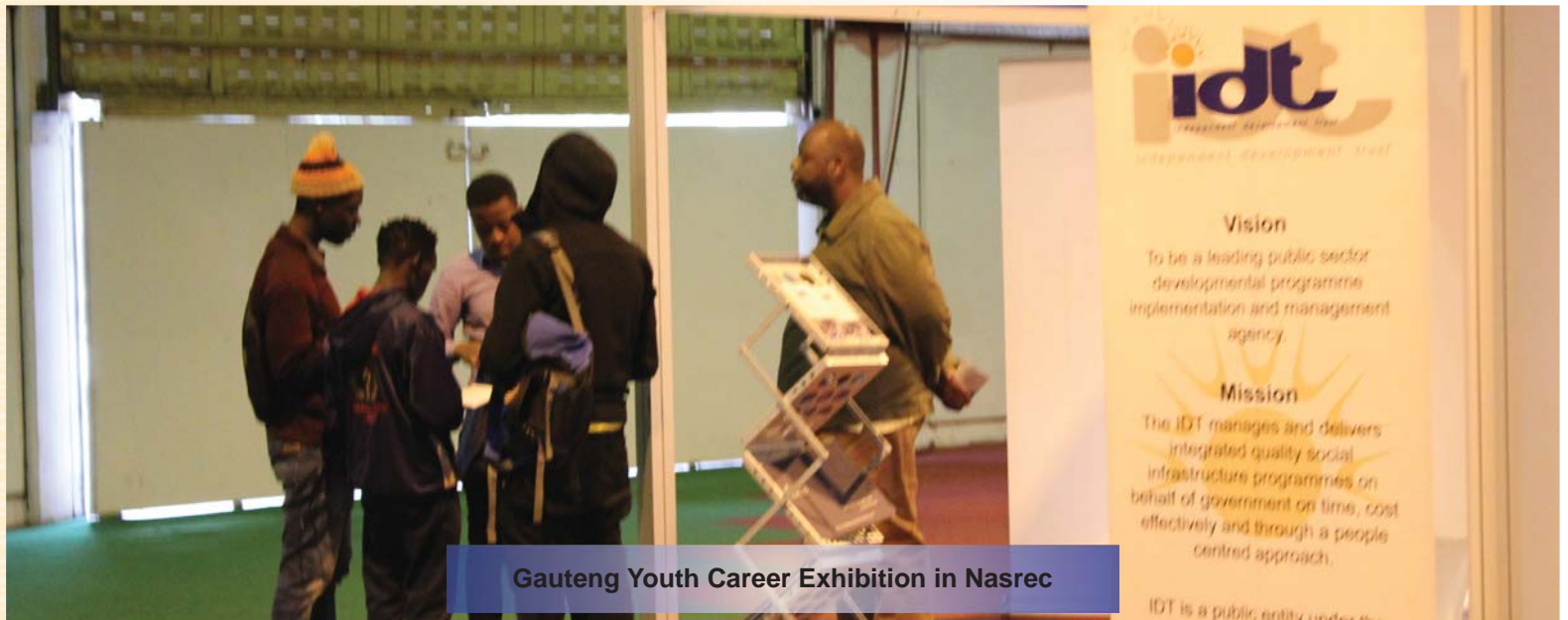
PG Level	Number of Employees	Cost To Company ('R')	%
1	1	2 000 000	0.97
2	2	3 038 985	1.48
3	3	5 641 562	2.75
4	13	18 912 849	9.22
5	19	21 082 650	10.28
6	51	45 245 986	22.06
7	15	10 103 298	4.93
8	25	14 776 264	7.20
9	96	47 792 366	23.30
10	23	8 047 138	3.92
11	67	22 046 255	10.75
12	1	274 192	0.13
13	32	4 620 531	2.25
18	11	1 559 258	0.76
Total	359	R 205 141 334	100

2.3. Training Costs

The greatest focus for staff development in the period under review was on consolidating programme management systems, supply chain management and, most importantly, the professionalisation of construction management capacity. The numbers trained are as follows:

Table 14: Training costs

Programme / Activity / Objective	Personnel Training Expenditure Budget	Actual Training Expenditure ('R')	Training Expenditure as a % of Personnel Cost	No of Employees Trained	Average Training Cost Per Employee ('R')
ICT Training	R5 840 000.00*	78 947	0.04%	16	4 934
Construction Project Management Training		559 101	0.26%	34	16 444
Supply Chain Management		98 500	0.05%	19	5 184
Records Management Training		190 400	0.09%	41	4 644
Other Individual Training Interventions		310 711	0.14%	192	1 618
Internal Bursaries		749 143	0.35%	29	25 833
External Bursaries		133 097	0.06%	1	133 097
Internship Programme		2 155 000	0.99%	47	45 851
TOTAL	R5 840 000.00*	R 4 274 899	1.98%	379	11 279
* 1.98% of total salary bill of R 217 428 000					



2.4. Staff Establishment Status

The tables below reflect different employment elements pertaining to changes in the staff complement between April 2016 and March 2017 per business unit.

Table 15: Employment and Vacancies

LEVEL	No. of Employees	Approved Posts	Vacancies	% of vacancies
Top Management	6	6	0	0.00%
Senior Management	32	42	10	23.81%
Professional qualified	66	79	13	16.46%
Skilled	121	173	52	30.06%
Semi-Skilled	123	130	7	5.38%
Unskilled	11	11	0	0.00%
TOTAL	359	441	82	18.59%

Programme / activity / objective	No. of Employees	Approved Posts	Vacancies	% of vacancies
Core Business	177	247	70	28.34%
Support	182	194	12	6.19%
TOTAL	359	441	82	18.59%

Table 16: Employment Changes

Salary Band	Employment at the beginning	Appointments	Terminations	Employment at the end of the period
Top Management	5	3	2	6
Senior Management	28	12	8	32
Professional qualified	70	6	10	66
Skilled	121	15	15	121
Semi-Skilled	113	19	9	123
Unskilled	11	0	0	11
TOTAL	348	55	44	359

2.5. Staff Turnover

2.5.1. New appointments

The table below reflects appointments from April 2016 to March 2017 per employee grade. This number includes the filling of approved new vacancies as well as replacement of resignations throughout the year. All new employees are employed on fixed-term contracts ranging from three to five years.

Table 17: New Employees per Grade 2016/17

Grade	Functions	Q1	Q2	Q3	Q4	Total
PG01	CEO	0	0	0	0	0
PG02	Executive	0	0	0	0	0
PG03	Executive	0	0	1	2	3
PG04	General Managers	0	2	3	0	5
PG05	Senior Managers, Portfolio Managers	2	3	1	0	6
PG06	Programme Managers, Legal Advisers, Managers	0	1	2	2	5
PG07	Compliance Officer, Costing Engineer, communication specialist	1	1	0	0	2
PG08	Personal Assistants, Researchers	1	0	1	0	2
PG09	Programme Implementation Managers	5	3	2	0	10
PG10	Programme employees (e.g. administrators)	0	0	1	2	3
PG11	Administrators e.g. Programme Implementation Assistants; Admin Assistants	0	0	1	1	2
PG13	Receptionists, Filing clerks, Data Capturers	1	1	11	3	16
PG12	Admin Assistants	0	0	0	0	0
PG18	Office Attendants , Cleaners	0	0	0	0	0
Total		10	11	23	10	54



The table below reflects the number of new employees per business unit in the 2016/17 financial year:

Table 18: New Employees per Business Unit 2016/17

Business Unit	Q1	Q2	Q3	Q4	Total
Programme Management Services	6	6	8	4	24
Office of the CEO	1	1	2	3	7
Corporate Services Unit	0	2	1	2	5
Financial Services Unit	3	2	12	2	19
Total	10	11	23	11	54

2.5.2. Termination of Service

A total of 44 employees were terminated for various reasons as shown in the table below. The highest turnover of 11.38% was experienced in Q2 of the financial year with most resignations impacting directly on core business units. An estimated 75% to 80% of the staff terminated was between levels 5 and 9. Most of these came from core programme delivery personnel.

Table 19: Reasons for staff leaving

Terminations	Total	% of total number of staff leaving
Contract Expired	9	20.45%
Death	0	0.00%
Dismissed	0	0.00%
Resignation	29	65.91%
Early Retirement	4	9.09%
Incapacity	1	2.27%
Retirement	1	2.27%
Grand Total	44	100.00%

2.6. Labour Relations / Disciplinary Cases

A total of 19 disciplinary cases were handled during the 2016/17

financial year. A majority of cases involved allegations of misconduct relating to tender irregularities, irregular procurement and dishonesty. The table below reflects the nature of disciplinary action taken.

Table 20: Disciplinary Cases

Disciplinary Action	Number
Verbal Warning	0
Precautionary Warning	16
Written Warning (Emanating from disciplinary proceedings)	1
Final Written Warning	1
Dismissal	1

2.7. Equity Targets and Employment Equity Status

The reporting period saw a 40 percent increase in the representation of women at top management level. Despite this improvement, there is still a need for more female and disabled people in senior management positions to align the current statistics with the provincial demographics. Although women representation is higher in the organisation, most females remain employed at lower grades compared to males. The two tables below provide the prevailing employment equity levels at 31 March 2017.

Table 21: Employment Equity: Males

LEVEL	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	4	1	0	0	0	0	0
Senior Management	18	15	1	1	0	1	2	2
Professional Qualified	33	39	1	2	2	2	3	3
Skilled	65	53	2	1	0	1	1	2
Semi-skilled	34	35	0	2	0	2	0	2
Unskilled	1	0	0	0	0	0	0	0
TOTAL	154	146	5	6	2	6	6	9

Table 22: Employment Equity: Females

LEVEL	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	1
Senior Management	10	12	0	1	0	1	3	2
Professional Qualified	23	40	2	2	1	1	0	2
Skilled	56	45	2	2	1	2	1	3
Semi-skilled	76	70	1	2	2	2	2	1
Unskilled	10	0	0	0	0	0	0	0
TOTAL	177	168	5	7	4	6	6	9



The table below reflects the number of employees living with disability by gender.

Table 23: Staff living with disability

LEVEL	STAFF LIVING WITH DISABILITY			
	MALE		FEMALE	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	1
Professional qualified	1	1	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	1	0
TOTAL	1	1	1	1



IDT Team Participating at Discovery 702 Walk the Talk

Part E:

FINANCIAL INFORMATION



1. Report of the Audit Committee



Ms Seipati Boulton

Chairperson: Audit & Risk Committee

We are pleased to present our report for the financial year ended 31 March 2017.

Background

- The Audit & Risk Committee (“the Committee”) is established as a statutory Committee in terms of Section 77 of the Public Finance Management Act 1 of 1999 (as amended) and Treasury Regulation 27.1. The Committee has adopted formal terms of

reference as its Audit and Risk Committee charter and has fulfilled its responsibilities for the year in compliance with its terms of reference.

Membership and Attendance

- The Committee comprises of independent non-executive members with extensive experience to serve in the Committee.
- The Committee met three (3) times during the year and met jointly with the Finance Committee four (4) times
- The names, qualifications and attendance of the members serving on the Committee are detailed on page 52 under the Governance section of the Annual Report.

Audit and Risk Committee Responsibility

The Committee is satisfied that it has discharged its responsibilities in assisting the Accounting Authority with the following activities:

- The safeguarding of assets, the operation of adequate systems, control and reporting processes, and the review of financial statements in compliance with the applicable legal requirements and accounting standards,
- Overseeing the activities of, and ensuring coordination between, the activities of internal and external audit;
- Providing a forum for discussing enterprise-wide risks relating to financial, performance and regulatory exposures; and monitoring controls designed to minimise these risks;
- Reviewing the Trust’s quarterly performance information, annual report, including annual performance information and annual financial statements, and any other public reports or announcements containing financial and non-financial information;
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements and performance reports,

or related matters; and

- Annually reviewing the Committee's work and charter; and making recommendations to the Accounting Authority to ensure the Committee's effectiveness.

Effectiveness of Internal Control

- The Committee considered all the reports issued by the various assurance providers e.g. internal and external auditors, Risk Management and has noted the work performed by the assurance providers.

Management's actions were noted in addressing identified control weaknesses. The Committee is, however concerned with the pace at which remediation is implemented.

Despite the above, the Committee reports improvement noted in the system of internal control for the period under review.

The Effectiveness of Internal Audit

The Committee approved a risk based 3 year rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for the period 1 April 2016 to 31 March 2017.

The following reviews were completed during the year under review:

Audit Type	Total Planned Audits	Total No. (%) Completed
Operational Audit	9	9 (100%)
Information Technology Audit	2	2 (100%)
Performance Audit	3	3 (100%)
Ad hoc Audits	1	1 (100%)
Total	15	

The Committee reviewed all the internal audit reports; and notes the improvement in the implementation of its activities, including

its annual work program, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

The Committee nonetheless takes note of the areas of improvement required of the audit function to add more value than it currently performs.

The Internal Audit identified and reported the following areas of concern to the Committee:

- Non-compliance with SCM policies and procedures,
- Lack of effective and efficient programme / project and contract management,
- Non-compliance with Corporate Governance of Information and Communication Technology Framework,
- Non-compliance with the recruitment and selection policy;
- Some employees acting for longer than six (6) months;
- The high vacancy rate; and
- Reliability of financial and performance information.

The Committee is therefore of the opinion that Internal Audit is independent, provides objective assurance and consulting activities that were designed to add value and improve the organization's operations. Through Internal Audit the Committee intends to drive combined assurance to ensure an effective coordinated approach is applied in obtaining assurance that risks are being managed effectively.

Risk Management

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.
- The entity's Risk Management Committee, a management

structure reports its function to the Audit and Risk Committee.

- The Risk Management Committee was consistent in its function and was able to meet four (4) times during the year under review.
- A risk register is updated annually, the last review was performed in 2016, to ensure that all the major risks including emerging risks facing the entity are effectively managed.
- The risk appetite and tolerance levels were set and monitored throughout the year.

The Committee has however raised concerns that the entity's risk maturity is still currently at a compliance level and has engaged Management to address the gaps identified. The Committee would like to highlight the following matters of concern:

- The entity's cash flow constraints,
- Increase in litigation cases against the organization,
- The building structure issues (IDT head Office),
- Lack of ICT governance framework and IT solution for critical functions, e.g. Finance, Project Office etc.,
- Effective document management solution,
- Other health and safety issues, e.g. evacuation drills etc.

A toll-free whistle-blowing hotline operated by Deloitte is operational, service providers and employees are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices. A number of cases are currently being investigated through the Risk & Compliance sub-unit.

In Year Management of Quarterly Financial and Performance Information

The Committee noted the content of reports that have been prepared and issued during the year. Quality of reports is improving, although the committee is concerned with the lack of

timely submission for review by the Committee, a matter which is monitored to ensure its appropriately addressed.

Evaluation of Financial Statements

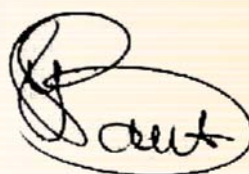
The Committee has reviewed the annual financial statements and performance information for the year ended 31 March 2017 and duly recommended them for the Accounting Authority's approval prior to being submitted to the Auditor General for audit.

Also, the Committee reviewed the Auditors' Management and Audit reports, but disagrees with the conclusion expressed.

External Audit

- The Committee has reviewed the independence and objectivity of the external auditors.
- The external auditors attended four (4) statutory meetings of the Committee.
- The Committee, through the Chairman, had four (4) in-camera meetings with the external auditors.

The Committee would like to thank the Board, Executive Management, Internal Audit for their support and cooperation during the year under review.



Ms Seipati Boulton

Chairperson: Audit & Risk Committee

Independent Development Trust

Pretoria

Date: 28 September 2017

2. Financial overview by the Chief Financial Officer



Ms N. Mogorosi
Chief Financial Officer

2.1. Overview of the Annual Financial Statements

The Organisation continued to pursue its vision to be a leading public sector developmental programme implementation and management agency which manages and delivers integrated quality social infrastructure programmes on behalf of government on time, cost effectively and through a people-centred approach. During the reporting period, the entity's performance continued on a negative trend from a deficit of R66.7 million during the 2015/16 financial

year to R141.3 million. Furthermore, revenue declined by 7.1% to R210.6 million in 2016/17 financial year. This was exacerbated by a further 4.3% decline in programme expenditure.

The investment with financial institutions reflects a balance of R51.4 million as at 31 March 2017, indicating a net decrease of R87.2 million since the end of the 2015/16 financial year. The withdrawals made during the third and fourth quarters of the financial year were required to support the operational shortfall experienced during the period as a result of lower than expected billing and collections. Trade and other receivables decreased slightly by 9.0% to R172.5 million. The debtors book is now stable and reflecting recoverable debt by the IDT. The VAT refundable to the IDT increased due to the processing of credit notes during the year under review. Cash and cash equivalents decreased materially to R2.8 million compared to R43 million in the previous financial year. The surplus has been utilized to support operating needs, especially during the second part of the financial year. Funds to the short term operating needs were transferred into the investment fund during current financial year. Despite these challenges, assets exceeded liabilities by R205.9 million.

2.2. Revenue and Overhead Expenditure

Revenue consisting of management fees of R210.6 million has declined by 24 % compared to 2015/16. The main contributing factor to this decline is the accompanying decline in programme spending for the financial year under review. Programme expenditure of R4.4 billion is 23% below the planned programme expenditure of R6.0 billion. Total employment expenses amounted to R204.9 million, 4% lower than the comparative figure of R214 million for 2015.

Administration expenses totalled R135.0 million. This is 32% higher than the comparative figure of R102.0 million for 2015/16. The main contributing factors to the increase is consultancy fees which reflects the impact of the Disclaimer task team, recruitment fees and the impairment of expenses paid on behalf of programmes older

than 24 months. Finance expenses include interest paid to SARS as a result of the VAT audit completed during prior financial years as well as interest charges by suppliers for late payment (mainly Telkom and landlords). The interest paid has been accordingly reflected as fruitless and wasteful expenditure.

2.3. Audit Outcome for the current financial year

The Auditor General has issued a disclaimed audit opinion for the financial year ended 31 March 2017. The issue that remained unresolved which had a pervasive impact on the annual financial statements related to the unquantifiable misstatements on programme expenditure due to the progress certificates of projects that overlapped between financial year ends. The majority of audit issues raised previously have been satisfactorily addressed.

2.4. Irregular, Fruitless & Wasteful expenditure

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

2.5. Challenges and future outlook

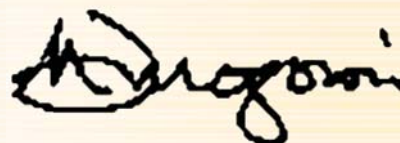
The level of programme expenditure and the resultant impact on revenue remains a key concern. There are concerted efforts to improve debtors collections and turn-around times for paying creditors. The organisation's IT and related systems landscape is being reviewed to ensure that the entity responds adequately to the challenges of the ever changing operating environment.

2.6. 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.

2.7. Acknowledgements

I would like to extend a word of thanks to CEO, the Board of Trustees, the Audit and Risk Committee, fellow executives and the Finance Services Unit staff for their support during the reporting period.



Ms. NF Mogorosi

Chief Financial Officer

Date: 28 September 2017

3. Report of the Auditor-General

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

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Independent Development Trust set out on pages 82 to 121, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matter described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis disclaimer of opinion

Programme Reserves & Liabilities and Programme Receivables

3. I was unable to obtain sufficient appropriate audit evidence that programme reserves & liabilities and programme receivables for the year under review and previous year including the adjustments for prior year had been properly accounted for, as the systems and processes to identify and accurately record all programme expenditure incurred on behalf of client departments in the financial period to which they relate to, were inadequate. I was unable to confirm the programme reserves and liabilities by alternative means.

4. Consequently, I was unable to determine whether any adjustment was necessary to programme reserves and liabilities stated at R2 billion (2015-16: R1.7 billion) and programme receivables of R1.3 billion (2015-16: R1 billion) in the financial statements.

Management Fees and Trade and Other Receivable

5. The IDT did not recognise revenue due to it from project management fees for the year under review and previous year including the adjustments for prior year, as required by International Accounting Standards (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.
6. In addition, I was unable to obtain sufficient and appropriate audit evidence regarding Trade and other receivable due to the inadequacy of controls to the underlying records to determine and recognise each of the items in the correct accounting period. Consequently, I was unable to determine whether any adjustment was necessary to revenue from management fees stated at R210 million (2016: R276 million) and trade and other receivables stated at R172 million (2016: R189 million) in the financial statements.

Emphasis of matters

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

Significant uncertainties

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

outstanding payments to suppliers, payable by the client departments. The ultimate outcome of the matter cannot presently be determined.

Other matters

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

Irregular expenditure incurred on behalf of clients

10. Independent Development Trust incurred expenditure that is not in accordance with a requirement of the Public Finance Management Act on behalf client departments such as Department of Correction Services and Department of Justice and Constitutional that resulted into irregular expenditure and fruitless and wasteful expenditure.

Responsibilities of accounting authority

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting authority is responsible for assessing the Independent Development Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures

also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme (I) – Integrated Service Delivery	34 – 38

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

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

Programme I – Integrated Service Delivery

20. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of two indicators namely: value of programme spends and % of weighted BBBEE spend. This was due to limitations placed on the scope of my work in relation to programme expenditure. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were

required to the reported achievement of R4.6bn and 87% (R3.7bn) respectively.

Other matters

I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on page(s) 34 to 43 for information on the achievement of planned targets for the year and explanations provided for the achievement of the targets.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme I: Integrated Service Delivery. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual Financial Statements

25. 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. Some material misstatements identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and appropriate supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

Expenditure Management

26. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value of R4 943 755, as disclosed in note 14, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure.

Procurement and Contract Management

27. Contracts were awarded to, and quotations accepted from bidders based on preferential points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
28. Contracts were awarded to and quotations accepted from bidders that had not scored the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential procurement regulations.
29. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1)

Revenue Management

30. Steps taken by management to collect all monies due from client departments were not always effective, as required by section 51(1)(b)(i) of the PFMA.

Other information

31. The Independent Development Trust's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programme presented in the annual performance report that have been specifically reported on in the auditor's report.
32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
33. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact I have nothing to report in this regard.

Internal control deficiencies

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

Leadership

35. Notwithstanding the significant interventions of the accounting authority there was no overall improvement to the audit outcomes due to the lack of adequate controls on ensuring the availability of appropriate documentation to report programme expenditure in the correct financial year.

36. Action plans by management to address prior year audit findings were developed, but not always implemented in a timely manner.

37. Management did not implement adequate controls to ensure that expenditure is recorded in the year it occurs.

Financial and performance management

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

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

Other reports

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

Investigations

41. The Accounting Authority appointed an investigation team and is in a process of performing investigations in relations to the irregular expenditure. Some of these have been completed and as part of consequence management disciplinary actions are being taken against the responsible officials.

42. The President of the country has in terms of the Special Investigation Unit and Special Tribunal Act, 1996, authorised the Special Investigation Unit to investigate certain matters in respect of the procurement matters of the Department of Correctional Services (DCS) and the Independent Development Trust.

Auditor-General

Pretoria

26 September 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the [board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence

obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Independent Development Trust ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

Part E:

Annual Financial Statements



Independent Development Trust

STATEMENT OF COMPREHENSIVE INCOME

as at 31 March 2017

		2017	2016
		R'000	R'000
	Note(s)		Restated
Revenue	5	210 560	276 592
Investment income	6	9 577	8 401
Interest income	7	903	1 362
Other income	8	6 510	8 294
Other losses	9	(24 336)	(39 447)
Employment expense	10	(204 901)	(214 008)
Depreciation and amortisation expense	10	(3 333)	(4 004)
Administration expense	10	(135 124)	(102 121)
Finance expense	11	(1 589)	(473)
Fair value gains on investments	12	413	(1 280)
DEFICIT FOR THE YEAR		(141 319)	(66 684)
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		(141 319)	(66 684)

Independent Development Trust

STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

		31 March 2017 R'000	31 March 2016 R'000 Restated	31 March 2015 R'000 Restated
	Note(s)			
ASSETS				
Non-current assets		37 845	43 553	42 521
Property, plant and equipment	16	29 349	29 753	33 492
Intangible assets	17	85	75	51
Investments with financial institutions	18	8 412	13 725	8 978
Current assets		2 323 986	2 089 185	1 377 287
Investments with financial institutions	18	43 037	124 942	57 797
Trade and other receivables	19	172 500	189 531	313 368
Funds due from programme principals	20	12 565	22 862	18 916
Programme assets	29	2 093 101	1 708 694	939 720
Cash and cash equivalents	21	2 783	43 156	47 485
TOTAL ASSETS		2 361 832	2 132 738	1 419 808
EQUITY AND LIABILITIES				
MAIN FUND	22	205 857	347 176	413 860
INITIAL FUNDING		2 025 000	2 025 000	2 025 000
ACCUMULATED DEFICIT		(1 819 143)	(1 677 824)	(1 611 140)

Independent Development Trust

STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

		31 March 2017 R'000	31 March 2016 R'000 Restated	31 March 2015 R'000 Restated
	Note(s)			
LIABILITIES				
Non-current liabilities				
Finance leases	23	613	830	1 291
Current liabilities		2 155 362	1 784 732	1 004 657
Short term portion on finance leases	23	738	602	567
Programme reserves and liabilities	29	2 093 101	1 708 694	939 720
Trade and other payables	24	51 539	49 072	31 590
Provisions	24.1	9 983	26 364	32 779
TOTAL LIABILITIES		2 155 976	1 785 562	1 005 948
TOTAL EQUITY AND LIABILITIES		2 361 832	2 132 738	1 419 808

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2017

		INITIAL FUNDING	ACCUMULATED DEFICIT	MAIN FUND (Total)
	Note(s)	R'000	R'000	R'000
Balance at 1 April 2015		2 025 000	(1 611 140)	413 860
Prior year adjustments			-	-
Restated balance as at 1 April 2015		2 025 000	(1 611 140)	413 860
Total comprehensive deficit for the year			(67 849)	(67 849)
Prior year adjustments	26		1 165	1 165
Balance at 31 March 2016	22	2 025 000	(1 677 824)	347 176
Total comprehensive deficit for the year			(141 319)	(141 319)
Balance at 31 March 2017	22	2 025 000	(1 819 143)	205 857

STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

		2017	2016
		R'000	R'000
			Restated
	Note(s)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		255 400	410 759
Cash paid to suppliers and employees		(388 867)	(349 344)
Cash generated (utilised) in operations	27	(133 467)	61 415
Investment income	6	9 577	8 401
Interest income	7	904	1 362
Finance expense	11	(1 589)	(473)
Net cash (outflows) / inflows from operating activities		(124 575)	70 704
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	16	(3 262)	(1 389)
Intangible assets	17	(97)	(80)
Proceeds on disposal of:			
Property and equipment	16	11	35
Investments:			
(Increase)/Decrease in investments with approved institutions		87 632	(73 172)
Net cash inflows / (outflows) from/to investing activities		84 283	(74 606)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in			
Finance lease obligations		(81)	(426)
Net cash inflows from financing activities		(81)	(426)
Net increase/ (decrease) in cash and cash equivalents		(40 372)	(4 328)
Cash and cash equivalents at the beginning of the year		43 156	47 485
Cash and cash equivalents at end of the period	21	2 783	43 156

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The financial statements have been prepared on a going concern basis which assumes that the organisation will be able to meet its obligations as they become due. As at 31 March 2017, current assets exceeded current liabilities by R 168.6 million 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 2017.

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.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

1.2 (cont.)

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.

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.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

1.4 (cont.)

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.

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.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

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 cash flows of the investment will not be fully recovered.

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 cash flows, discounted at the financial assets original effective interest rate. The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where an allowance account is used. When a trade receivable is considered unrecoverable, it is written off through the Statement of 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.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

1.7 (cont.)

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 AND RISK FACTORS

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

1.8 PROVISIONS

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

1.9 INVESTMENT INCOME

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

1.10 REVENUE

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

1.10.1. Management Fees

Service revenue is recognised 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.

1.10.2. Grant received

Government grants are recognised in the Statement of Financial Position initially as deferred income when there is reasonable assurance that 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 the Statement of Comprehensive Income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the organisation for the cost of an asset are recognised in as revenue on a systematic basis over the useful life of the asset.

1.11 INTEREST INCOME

Interest 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.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

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 where applicable.

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, refer note 14.

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 nonaccumulating absences, when the absence occurs.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

1.19 (cont.)

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

1.20 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 utilises its own funds prior to the reimbursement from the dedicated programme funds, such timing difference will result in a claim against the programme principals by the IDT. When programme funds are spent before due date, this will result in funds being due to the programme principals.

1.24 COMPARATIVE FIGURES

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

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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

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		2017	2016
		R'000	R'000
			Restated
Financial Assets			
Investments with financial Institutions - Non Current	Fair value through profit and loss	8 412	13 725
Investments with financial Institutions - Current	Fair value through profit and loss	43 037	124 942
Trade and other receivables	Loans and receivable at amortised cost	172 500	189 531
Funds due from programme principals	Loans and receivable at amortised cost	12 565	22 862
Cash and cash equivalents	Financial assets at fair value through profit and loss.	2 783	43 156
Financial Liabilities			
Long term portion of finance leases	Financial liabilities at amortised cost	613	830
Short term portion finance leases	Financial liabilities at amortised cost	738	602
Trade and other payables (including accrued expenditure)	Financial liabilities at amortised cost	51 539	49 072

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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

4.2 Managements responsibilities

Management is responsible for the identification, assessment and control of all key risks facing the IDT, functions and processes under their control. In addition, management is required to manage all risks under their control that contribute to the IDT's risk profile. A documented formal policy framework has been put in place in order to achieve the following:

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

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

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

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.

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.

Fund Managers returns for the year	2017	2016
	%	%
Momentum Asset Management (formerly RMB)		
Returns for the year	8,74	6,26
Fund benchmark	6,26	6,26
Sensitivity analysis	7,80	7,61

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for the year ended 31 March 2017

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 R 515 thousand (2016: R1 387 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 172 million (2016: R 190 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:	2017	2016
	R'000	R'000
Funds due from programme principals	12 565	22 862
Amounts due from SARS in respect of VAT; and	19 174	6 716
Cash and cash equivalents held with financial institutions.	2 783	43 156

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.

Exposure to credit risk	2017	2016
	R'000	R'000
Cash and cash equivalents	2 783	43 156
Investments held with financial institutions	51 449	138 667
Trade and other receivables	172 500	189 531
Funds due from programme principals	12 565	22 862

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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

4.4 INVESTMENTS WITH APPROVED INSTITUTIONS

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

Bonds with a maturity date of:

1-3 years

3-7 years

7-12 years

12 + years

%	Carrying amount	Carrying amount
84,4	43 435	124 942
9,6	4 923	-
0,0	-	6 115
6,0	3 091	3 333
0,0	-	4 277
100,0	51 449	138 667

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.

Bills, bonds and securities issued by Government

Bills, bonds and securities issued or guaranteed by Local Authorities Utilities (per issuer) or major banks

Minimum stand alone rating

N/A

N/A

4.5 AGEING OF FINANCIAL ASSETS

4.5.1. Trade and other receivables

Current

30-60 Days

60-90 Days

Greater 90 days

%	Carrying amount	Carrying amount
60%	104 229	16 039
10%	16 479	7 555
2%	3 531	6 743
28%	48 261	123 669
100,0	172 500	189 531

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

Current

%	Carrying amount	Carrying amount
100,0	12 565	22 862
100,0	12 565	22 862

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

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

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:

		2017	2016
			R'000
Current	100%	12 155	17 038
30-60 Days	-	-	81
60-90 Days	-	-	-
Greater than 90 days	-	-	-
	100%	12 155	17 119

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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

5. REVENUE

Grants received

Management fees

2017	2016
R'000	R'000
-	50 000
210 560	226 592
210 560	276 592

No grant funding was received for 2016/17 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 INCOME

Money market

Bond market

8 433	7 146
1 144	1 255
9 577	8 401

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 206 thousand (2016: R229 thousand) included under administrative expenditure in note 10.

7. INTEREST INCOME

Interest revenue

Interest (calculated using the effective interest method) on financial liabilities not held at fair value and adjusted through the Statement of Comprehensive Income.

984	1 331
(81)	31
903	1 362

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

Other income

4 942	8 294
1 568	-
6 510	8 294

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Notes to the Annual Financial Statements

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9. OTHER LOSSES

Loss on disposal of assets	(408)	(1 147)
Impairment of trade and other receivables	(228)	(5 598)
Provision for doubtful debts	(23 699)	(32 702)
	(24 336)	(39 447)

Other losses include loss on disposal of property, plant and equipment property, and impairment losses. Impairment losses relates to the fair value adjustments of trade receivables.

10. EXPENSES FOR THE YEAR

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

DEPRECIATION AND AMORTISATION EXPENSE

Depreciation on equipment		
- Computer equipment	1 459	1 511
- Canteen	24	27
- Furniture and fittings	889	909
- Leased equipment	607	591
- Office equipment	1 033	1 262
- Mechanical equipment	15	15
- Motor vehicles	70	74
Amortisation of computer software	84	56
Change in estimate	(847)	(441)
	3 333	4 004

EMPLOYMENT EXPENSE

Wages and salaries

- Remuneration	166 251	176 653
- Performance awards	183 994	170 800
	(17 743)	5 853
Third party contributions	38 650	37 355
- Medical	10 043	9 766
- UIF	1 237	1 240
- Official unions and associations	105	111
- Retirement benefits - defined contribution plan	27 265	
Total employment expense	204 901	214 008

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

10. EXPENSES FOR THE YEAR

ADMINISTRATION EXPENSES

Catering, meals and entertainment
Construction costs
Consultancy fees
Bad debt
Development initiatives
External audit fees
Fund management fee
Insurance
Internal audit
IT expenses
Leasehold improvements
Legal fees
Maintenance and repairs
Media communications
Stipends
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

	2017	2016
	R'000	R'000
	1 241	1 162
	-	2 634
	16 682	11 838
	19 166	-
	409	2 627
	7 004	5 651
	207	229
	1 065	1 033
	2 162	2 614
	7 357	6 835
	62	226
	11 496	11 688
	1 318	1 476
	2 277	3 271
	2 154	2 084
	8 286	4 105
	3 849	1 932
	12 874	12 891
	2 945	1 747
	6 808	6 114
	17 632	13 957
	2 631	2 683
	4 521	3 966
	2 978	1 358
	135 124	102 121

11. FINANCE EXPENSES

Interest on obligations under finance lease
Interest Paid

264	336
1 325	137
1 589	473

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

2017	2016
R'000	R'000

12. FAIR VALUE GAINS / (LOSSES) ON INVESTMENTS

Unrealised profits/(losses) on money market	(41)	41
Unrealised profits/(losses) on bonds	507	(849)
Realised profits (losses) on money market	(12)	(117)
Realised profits/ (losses) on bonds	(41)	(355)
	413	(1 280)

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	5 144	253
Expenditure incurred relates to costs incurred on the turnaround strategy without actual benefit flowing to the entity	-	4 891
Expenditure incurred relates to SARS for penalties and interest of R1.5m and the balance relates to interest paid to other suppliers.	1 519	-
Written off- Current year	(1 519)	-
Transferred to receivables	(1 164)	-
	3 980	5 144

Debtors have been raised to pursue the recovery of the prior years' fruitless and wasteful expenditure from the responsible officials. R3.9 million is under litigation with one official for recovery of the funds. Two other officials have signed acknowledgements of debt to the value of R680 thousand and R 484 thousand respectively.

14.2 Irregular Expenditure

Opening Balance	17 283	31 407
Deviation from procurement processes during the year	4 944	6 075
	22 227	37 482
Condoned during the year	(17 283)	(20 199)

The irregular expenditure for the current year relates to non-compliance to Supply Chain Management processes and procedures.

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

15. CONTINGENT LIABILITIES

		2017	2016
		R'000	R'000
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	12 521
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.	33 003	40 905
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	1 232
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	5 383
E	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	6 142
F	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	785
G	The Plaintiffs were appointed by 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	7 734
H	IDT is a defendant in a legal action where former employees have 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	855
I	IDT is a defendant in a legal action where third parties have instituted summons against the IDT for alleged non-payment of services rendered relating to various invoice accuracy disputes.	5 534	-
		75 556	73 188

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

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.

60 051	32 233
60 051	32 233

Contingent liabilities and assets are disclosed on the basis of the likelihood of the IDT not being able to defend the claims against it successfully and the likelihood of success on claims lodged by IDT against third parties. Where the probability of success is very low, a contingent liability has been disclosed in respect of claims lodged against IDT and where the probability of success is very high on matters lodged by IDT contingent assets have been disclosed. The determination of the likelihood of success or failure is guided by the entity's legal team and experts that are representing IDT in all these matters.

16. PROPERTY, PLANT AND EQUIPMENT

Cost
Prior year's adjustments
Disposals
Change in estimate
Accumulated depreciation
Net carrying amount

Canteen equipment
Furniture and fittings
Computer equipment
Office equipment
Leased Office equipment
Mechanical Equipment
Motor Vehicles
Land
Owner occupied building
Net carrying amount

2017	2016
R'000	R'000
54 461	57 168
-	150
(2 726)	(1 182)
848	441
(23 233)	(26 824)
29 349	29 753
72	99
2 808	2 971
4 038	3 089
2 663	3 632
1 230	1 348
152	166
52	114
4 000	4 000
14 333	14 333
29 349	29 753

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Notes to the Annual Financial Statements

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16. (Cont.)

	Canteen Equipment	Furniture and Fittings	Computer Equipment	Office Equipment	Leased Office Equipment	Mechanical Equipment	Motor Vehicles	Land	Owner Occupied Building	Totals
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cost										
Balance at 1 April 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
Additions	-	464	1 994	192	612	-	-	-	-	3 262
Disposals	(18)	(344)	(1 358)	(709)	(297)	-	-	-	-	(2 726)
Balance at 31 March 2017	233	9 427	8 506	9 884	3 155	364	613	4 000	16 400	52 582
Accumulated depreciation and impairment										
Reinstated balance as at 1 April 2015	155	5 883	5 638	7 083	935	183	543	-	2 067	22 487
Depreciation	27	907	1 479	1 262	577	15	70	-	-	4 338
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	22 295
Depreciation	24	889	1 459	1 033	607	14	70	-	-	4 096
Disposals	(13)	(312)	(1 225)	(553)	(204)	-	-	-	-	(2 307)
Change in estimate	(2)	(294)	(548)	(28)	29	-	(8)	-	-	(851)
Balance at 31 March 2017	161	6 619	4 468	7 221	1 925	212	561	-	2 067	23 233
Carrying amount										
As at 31 March 2016	99	2 971	3 089	3 632	1 348	166	114	4 000	14 333	29 753
As at 31 March 2017	72	2 808	4 038	2 663	1 230	152	52	4 000	14 333	29 349

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for the year ended 31 March 2017

16. (Cont.)

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.

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 2017 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 R851k (2016: R441k)

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 |

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

17. TANGIBLE ASSETS

The accounting policies for Intangible Assets have been applied to the line items below:

Cost

Balance at 1 April 2015 (2014)

Additions

Disposals

Balance at 31 March 2016 (2015)

Additions

Disposals

Balance as at 31 March 2017 (2016)

Accumulated amortisation and impairment

Balance at 1 April 2015 (2014)

Amortisation

Prior year's adjustments

Disposals

Balance at 31 March 2016 (2015)

Amortisation

Change in accounting estimate

Disposals

Balance as at 31 March 2017 (2016)

Balance at 31 March 2017 (2016)

2017	2016
R'000	R'000
Computer Software	Computer Software

680	474
80	206
(455)	-
305	680
97	80
-	(455)
402	305
629	528
56	101
-	-
(455)	-
230	629
84	56
4	-
-	(455)
317	230
85	75

18. INVESTMENTS WITH FINANCIAL INSTITUTIONS

Cash and short-term investments (maturity less than one year)

Long-term fixed interest

43 037	124 942
8 412	13 725
51 449	138 667

Percentage of total investments	
%	%
83,7	90,1
16,3	9,9
100,0	100,0

Cash and short-term investments (maturity less than one year)

Long-term fixed interest

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

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 2017 is 7,30% (2016: 6,26%). 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).

2017	2016
R'000	R'000
	Restated

19. TRADE AND OTHER RECEIVABLES

VAT refundable	19 174	6 716
Trade receivables	124 067	172 941
Other receivables	29 259	9 874
	172 500	189 531

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 R135 million (2016: 332 million) which represents the balance of management fees to be recovered from programmes. A provision for impairment is established when there is objective evidence that the amounts outstanding is uncollectable. The IDT impaired debt older than 365 days as the client departments receive annual budgets and it is unlikely that debt older than 365 days will be collectable from the applicable client departments.

19.1 Reconciliation of trade and other receivables

Gross trade and other receivables	215 241	370 083
Provision for credit notes	-	(113 236)
Provision for impairment - Trade receivables and VAT	(42 740)	(67 316)
	172 500	189 531

Trade and other receivables disclosed above that are past due includes an impairment of R 9 276 thousand (2016: R 9 407 thousand) and a provision for doubtful debts of R 33 473 thousand (2016: R57 909 million) based on the objective evidence available at year end that the IDT might not be able to collect the respective amounts due.

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

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

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

2017	2016
R'000	R'000

20. FUNDS DUE FROM(TO) PROGRAMME PRINCIPALS

12 565	22 862
--------	--------

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 and cash	2 783	43 156
	2 783	43 156

Cash and cash equivalents are placed with reputable financial institutions. Guarantees, issued in favour of lessors for the renting of office premises, are neither negotiable nor transferable, and are further restricted to the payment of the sum of money limited to the guaranteed amount of R 12 thousand (2016: R10 thousand).

22. MAIN FUND

Balance at the beginning of year	347 176	413 860
Prior year's adjustments	-	1 165
Deficit for the year	(141 319)	(67 849)
Balance at the end of the year	205 857	347 176

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

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.

	2017	2016
	R'000	R'000 Restated
Reconciliation of minimum lease payments		
Finance expense	264	366
	1 351	1 432
Present value of minimum lease payments		
No later than one year	738	602
Later than one year and not later than five years	613	830
	1 733	1 768
Minimum lease payments		
No later than one year	973	938
Later than one year and not later than five years	760	830

The weighted average interest rate applicable to the finance leases did not exceed 21% (2016:19%)

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	12 155	17 119
Other payables	39 385	31 953
	51 539	49 072

The IDT recognises trade payables at fair value and subsequently measures at amortised cost using the effective interest method. In accordance with IAS 39: Financial Instruments Recognition and Measurement trade payables are to be discounted. An interest rate of 10,50%, (2016: 6.25%) 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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

24.1 PROVISIONS

Reconciliations of provisions - 2017

	Opening Balance	Provision raised	Provision utilised	Provision reversed	Closing Balance
Provision for Leave Pay	9 710	18 919	(16 613)	(2 033)	9 983
Provision for Bonus	16 654	-	-	(16 654)	-
	26 364	18 919	(16 613)	(18 687)	9 983

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)	(10 920)	16 654
	32 779	33 048	(27 424)	(12 039)	26 364

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.

2017	2016
R'000	R'000
	Restated

25. RELATED PARTY TRANSACTION

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

25.1 Programme expenditure

Department of Public Works - NSS EPWP	600 257	484 816
Department of Public Works - Overall EPWP	46 900	47 045
	647 157	531 861

25.2 Management fees charged for the year included under Revenue:

Department of Public Works - NSS EPWP	11 884	11 275
Department of Public Works - Overall EPWP	3 987	3 999
	15 871	15 274

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

2017	2016
R'000	R'000

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

Department of Public Works

3 295	3 295
3 295	3 295

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

Department of Public Works

1 750	3 859
1 750	3 859

25.5 Remuneration of Trustees and Executives

Board of Trustees	Appointed	Resigned		
Dr S Fikeni (Chairperson)	1 July 2012		392	390
Mr T Adams	27 March 2015	31 October 2016	23	91
Ms Z Mdhladhla	1 July 2012	31 October 2016	91	152
Mr M Mlengana	1 July 2012	1 July 2016	56	134
Mr T Motswaledi (Deputy Chairperson and Sub-Committee Chairperson)	1 July 2012		384	277
Ms T Mpumlwana	1 July 2012	31 October 2016	110	168
Mr R Patel	1 July 2012		176	200
Ms P Nkomo	1 July 2012		128	187
Mr Z Zitha (Sub-Committee Chairperson)	1 July 2012		250	260
Ms G Zulu-Kabanyane	1 July 2012		163	218
Dr L Zitha	27 March 2015		115	104
Ms N Rakolote	1 November 2016		96	0
Mr S Biniza	1 November 2016		67	0
Ms A Makhado	1 November 2016		49	0
Ms O Matloa	1 November 2016		79	0
Independent Chairperson of the Audit & Risk Committee				
Ms S Boulton	10 September 2013		452	502
			2 631	2 683

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

25.6 Executive management

	Salary	Provident Fund Contributions	Acting Allowance	Settlement	Total	Restated 2016
	R'000	R'000	R'000	R'000	R'000	R'000
Mr CBJ Pakade (CEO)	1 700	300	-	-	2 000	2 000
Mr A Wakaba (Interim COO)	1 743	249	-	-	1 992	1 992
Ms N Mogorosi (CFO) (01 January 2016)	1 313	187	-	-	1 500	375
Dr C Ruiters (01 February 2017)	269	48	-	-	317	-
Ms Y Mbane (01 February 2017)	255	36	-	-	291	-
Mr S Ntsandeni	859	149	100	-	1 108	1 781
Dr N Gumede (Resigned 30 September 2016)	666	121	66	-	853	1 428
Mr M Sidambe (Resigned 30 June 2016)	295	40	-	-	335	1 305
Dr S Bhebhe (Resigned 31 January 2017)	1 272	180	-	974	2 426	1 811
Mr A Said (Resigned 31 January 2017)	375	-	-	-	375	-
Ms K Mashego (Resigned 30 November 2015)	-	-	-	-	-	1 235
Mr I Ellis (CFO) (Resigned 31 December 2015)	-	-	-	-	-	1 464
	8 747	1 310	166	974	11 197	13 391

2017	2016
R'000	R'000

26. 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:

26.1

Adjustments affecting the statement of comprehensive income

Revenue not recognised	
Sundry revenue and interest income not recognised	
Decrease in provision for other losses	
Reclassification of stipends paid and reversal of accruals incorrectly raised	

1 165	26 905
1 165	26 905
801	(35 690)
	72
(6 555)	58 371
1 508	4 152

Adjustments affecting the statement of financial position

Increase in Trade and Other receivables
Decrease in Trade and Other payables

(1 165)	(26 905)
343	(22 753)
(1 508)	(4 152)

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

26.1.1. Statement of comprehensive income for the period ended 31 March 2016

	Balance as previously R'000	Prior period error R'000	Restated R'000
Revenue	275 791	801	276 592
Investment income	8 401		8 401
Interest income	1 378	(16)	1 362
Other income	2 867	5 427	8 294
Other losses	(32 892)	(6 555)	(39 447)
Employment expense	(216 142)	2 134	(214 008)
Depreciation and amortisation expense	(4 004)		(4 004)
Administration expense	(101 495)	(626)	(102 121)
Finance expense	(473)		(473)
Fair value gains on investments	(1 280)		(1 280)
Other Expenses			
SURPLUS / (DEFICIT) FOR THE YEAR	(67 849)	1 165	(66 684)
TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) FOR THE YEAR	(67 849)	1 165	(66 684)

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

26.1.2. Statement of financial position as at 31 March 2016

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
328 882	(285 329)	43 553
29 753		29 753
75		75
13 725		13 725
285 329	(285 329)	-
1 017 277	- 343	1 016 934
124 942		124 942
189 874	(343)	189 531
22 862		22 862
636 443		636 443
43 156		43 156
1 346 159	(285 672)	1 060 487
346 011	1 165	347 176
2 025 000	-	2 025 000
(1 678 989)	1 165	(1 677 824)
830	-	830
999 317	(286 837)	712 481
602		602
921 772	(285 329)	636 443
50 580	(1 508)	49 072
26 363	0	26 364
1 000 148	(286 837)	713 311
1 346 159	(285 672)	1 060 487

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

2017	2016
R'000	R'000

27. CASH GENERATED FROM/(UTILISED IN) OPERATIONS

(Deficit) / Surplus for the year	(141 319)	(66 684)
Investment income	(9 577)	(8 401)
Interest received	(903)	(1 362)
Interest paid	1 589	473
Non-cash movements/working capital changes	16 744	137 389
Depreciation	4 096	4 389
Amortisation	84	56
Change in estimate	(847)	(441)
Fair value (gains)/losses on investments	(413)	1 280
Loss on disposal	408	1 147
Decrease/(Increase) in funds due from programmes principals	10 296	(3 946)
Increase/(Decrease) in payables	2 468	17 482
Increase/(Decrease) in provisions	(16 381)	(6 415)
Decrease/(Increase) in receivables	17 032	123 837
Net cash flows from operating activities	(133 467)	61 415

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	10 400	3 181
1 to 5 years	13 329	579
	23 729	3 760

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).

Independent Development Trust

Notes to the Annual Financial Statements

for the year ended 31 March 2017

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:

	2017 R'000	2016 R'000 Restated
Opening bank balance	636 443	873 707
Funds received from Client Departments	4 701 418	4 404 842
Interest received	43 748	51 854
Total Income (A)	5 381 609	5 330 403
Programme Expenditure	4 383 877	4 562 227
Management Fees	240 029	268 300
Total Expenses (B)	4 623 906	4 830 527
Programme Balance (A-B)	757 704	499 876
Less interest paid to clients	(23 996)	(31 562)
Add: Programme payments net movement	(13 635)	168 129
Closing Bank Balance	720 073	636 443
ASSETS		
Programme assets		
Programme trade and other receivables	1 372 750	1 072 251
Programme cash and cash equivalents	720 351	636 443
	2 093 101	1 708 694
EQUITY AND LIABILITIES		
Programme reserves and liabilities		
Funds held in trust	(698 868)	(533 924)
Programme trade and other payables	(1 246 202)	(1 000 862)
Programme retention liability	(148 032)	(173 908)
	(2 093 101)	(1 708 694)

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

Programme cash and cash equivalents represent the balance of the programme bank 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.

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Notes to the Annual Financial Statements

for the year ended 31 March 2017

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.

Funds held in trust represent programme funds received from client departments not yet spent in respect of programme expenditure as at the end of the financial year.

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

Below is the description of each material prior period errors related to the effects of clearing the take-on suspense accounts and the restatement of balances to reflect the financial results of the programmes managed by IDT on behalf of government departments.

29.1.1. Restated 2016 period

	Balance as previously R'000	Prior period error R'000	Restated R'000
Opening bank balance	873 707	0	873 707
Funds received from Client Departments	4 404 842	0	4 404 842
Interest received	51 854	0	51 854
Total Income (A)	5 330 403	0	5 330 403
Programme Expenditure	4 550 091	12 136	4 562 227
Management Fees	257 401	10 899	268 300
Total Expenses (B)	4 807 492	23 035	4 830 527
Programme Balance (A-B)	522 911	(23 035)	499 876
Less interest paid to clients	(31 562)	0	(31 562)
Add: Programme payments net movement	145 094	23 035	168 129
Closing Bank Balance	636 443	0	636 443
ASSETS			
Programme assets			
Programme trade and other receivables	285 329	786 922	1 072 251
Programme cash and cash equivalents	636 443		636 443
	921 772	786 922	1 708 694
EQUITY AND LIABILITIES			
Programme reserves and liabilities			
Funds held in trust	0	(533 924)	(533 924)
Programme trade and other payables	(747 864)	(252 998)	(1 000 862)
Programme retention liability	(173 908)	0	(173 908)
	(921 772)	(786 922)	(1 708 694)

NOTES

This image shows a full page of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page, typical of notebook or legal stationery. There are no margins, text, or other markings on the page.

IDT and Vodacom ICT Youth Academy under the Expanded Public Works Programme

IDT together with its partners (Vodacom, MICT-SETA and Cisco Networking Academy) hosted graduation ceremonies for the 2016 cohort of students who completed the ICT training under the Vodacom ICT Youth Academy. Graduation ceremonies were held in different provinces beginning on the 16 March and ending 20 April 2017. The ICT Youth Academy is funded under the Expanded Public Works Programme Non-State-Sector (EPWP-NSS) which is aimed at enhancing and equipping the identified unemployed youth of South Africa with ICT Skills and entrepreneurial training so that they are able to enter the workplace as skilled ICT practitioners as well as to start their own ICT connectivity businesses.

The learners took up in a 12-month learnership programme which provided them with an accredited certificate in Information Foundation based on ISO IEC 27002, a further certificate in Information Technology: IT Support (NQF level 4) and Certified Cisco Network Administrator (NQF level 5).



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 6251

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) 257 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) 756 550

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

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

Western Cape
30 Water Street,
2nd Floor,
Cape Town, 8000
GPS: 33°55'09.3"S 18°25'16.3"E
Tel: (012) 405 4000

National Office

National Office
Glenwood Office Park,
Cnr Oberon & Sprite Streets
Faerie Glen
GPS: 25°46'49.4"S 28°17'32.0"E
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