ANNUAL REPORT 2019|20

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

public works & infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

idt
independent development trust

ANNUAL REPORT
2019|20

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PART A

GENERAL INFORMATION

GENERAL INFORMATION

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1. Public Entity's General Information

Registered Name	Independent Development Trust
Registration Number	669/91 (Trust Property Control Act [No. 57 of 1988])
Physical Address	Glenwood Office Park Corner Oberon & Sprite Streets Faerie Glen Pretoria 0043
Postal Address of Head Office	PO Box 73000 Lynnwood Ridge 0040
Telephone Number/S	+27 12 845-2000
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

2. List of Abbreviations /Acronyms

AA	Accounting Authority
ABTs	Alternative Building Technologies
AFS	Annual Financial Statement
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
Cidb	Construction Industry Development Board
CBO	Community-Based Organisation
CDP	Contractor Development Programme
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSIR	Council for Scientific and Industrial Research
CSO	Civil Society Organisation
CSU	Corporate Services Unit
DBE	Department of Basic Education
DG	Director-General
DOE	Department of Education
DOEL	Department of Employment and Labour
DPWI	Department of Public Works and Infrastructure (National)
DSU	Development Services Unit
EA	Executive Authority
EC	Eastern Cape
ECD	Early Childhood Development
ECDC	Early Childhood Development Centre
EE	Employment Equity
EEP	Employment Equity Plan
EPWP	Expanded Public Works Programme
EPWP: NSS	Expanded Public Works Programme: Non-State Sector
EXCO	Executive Committee
FinCom	Finance Committee
FS	Free State
FSU	Financial Services Unit
GP	Gauteng Province-
HCS	Human Capital Strategy
HRP	Human Resources Plan

IDT	Independent Development Trust
ICT	Information and Communications Technology
IT	Information Technology
King III	The King 3 Report on Corporate Governance
KZN	KwaZulu-Natal
LP	Limpopo
MANCO	Management Committee
M&E	Monitoring and Evaluation
M&E+R	Monitoring, Evaluation and Reporting
MINMEC	Minister and Members of the Executive Council
MP	Mpumalanga
MTEF	Medium-Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MTERF	Medium-Term Expenditure and Revenue Framework
NC	Northern Cape
NDP	National Development Plan: Vision 2030.
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NW	North West
NSS	Non-State Sector
OCEO	Office of the Chief Executive Officer
OD	Organisational Development
PFMA	Public Finance Management Act (PFMA) (Act 1 of 1999), as amended
PIA	Programme Implementation Administration
PIAA	Programme Implementation Agency Agreement
PICC	Presidential Infrastructure Coordinating Commission
PIM	Programme Implementation Manager
PCPWI	Portfolio Committee on Public Works and Infrastructure
PPPFA	Preferential Procurement Policy Framework Act (No. 5 of 2000)
PM	Programme Manager
RMC	Risk Management Committee
SA GAAP	South African Statement of Generally Accepted Accounting Practice
SIP	Strategic Infrastructure Programme
SMME	Small, Medium and Micro Enterprise
SONA	State of the Nation Address
WC	Western Cape

Honourable Ms. Patricia de Lille, MP
Minister of Public Works and Infrastructure

"Infrastructure plays a critical role in stimulating economic growth. It is clear that 'doing more of the same' has not produced different results in the past and neither would it do so in the future."

3. Foreword by the Executive Authority

The foregoing financial year has been a challenging one for the Independent Development Trust. Despite these challenges, the entity continued to contribute to deliver on its mandate.

The sixth Administration locates Infrastructure at the center of efforts to stimulate economic growth and my Department, together with its entities, especially the IDT, has a significant role to play in realising the goal of infrastructure-led growth.

The performance of the IDT as elaborated on in this Annual Report for the 2019/20 financial year, therefore, signifies the entity's contribution to the realisation of this goal.

Social infrastructure is also a key catalyst for the delivery of other key societal outcomes in health and education, which are critical for the development of the country's human capital. The implementation of the Expanded Public Works Programme., EPWP, in which the IDT has performed particularly well over the years, continues to empower our communities and provides them with incomes that are critical for their livelihoods. Expenditure on B-BBEE bears testimony to our determination to make the construction industry more diverse, inclusive and ensure that new participants are able to contribute to economic growth.

In the past few years, the IDT has had a number of performance related challenges and these have manifest themselves through a dwindling portfolio and poor audit outcomes, sparking intense debate on its relevance in the delivery of social infrastructure. As part of its contribution to the debate, the IDT Interim Board of Trustees and Management also came up with a number of options to turn the entity around. Although some of these measures could not be realised as envisaged, they remain a major input to the wider strategic debate on how best to turn the entity into a high performance organisation which is uniquely placed to deliver infrastructure which meets customer expectations.

One of the strategic priorities of my Department is improving the governance of our entities and professional councils. In this regard, the promotion of sound organisational and business practice, and ethical leadership remains critical. Further, swift and decisive action needs to be taken where incidents on malfeasance, fraud and corruption are identified.

A financially viable IDT is critical for the delivery of quality social infrastructure which is fit for purpose. In the endeavor to deliver on the seven key national priorities, my Department will continue to support the IDT leadership in its attempts to find a long-term plan to sustain the entity financially.

It is therefore my hope that in the years ahead, my Department, led by the Deputy Minister and the Director-General, together with IDT management and a fully-functioning board of trustees, will address the many governance and performance related problems that have bedeviled the entity over the years.

I wish to thank the Deputy Minister, the Director-General, IDT Management and Interim Board of Trustees for their efforts in working on finding solutions for the entity's problems during the reporting period.

P. de Lille

Honourable Ms. P De Lille, MP
Minister of Public Works and Infrastructure

Dr Lulama Zitha
Chairperson: Board of Trustees

4. Foreword by the Chairperson of the Board

I am pleased to write these words of introduction to the Annual Report of the IDT for the 2019/20 financial year. Although the period under review was presided over by an interim board which has since resigned and of which I was not a member, it is clear to me that the period under review was a difficult one for the entity.

The performance of the IDT as presented in the report highlights and reemphasises the challenges experienced by the entity over the years. Some of the most notable challenges include the following: funding constraints experienced by client departments, the withdrawal of business by client departments, which in consequence have led to, and exacerbated the continuous decline of the IDT business portfolio. similarly, the implementation of the organizational development project and the resultant moratorium of the appointment of new staff to replace those who resigned hobbled the entity's ability to deliver projects to the satisfaction of some of its clients. This poses an existential crisis for the entity and management and the then interim board continued to put in place measures to mitigate the negative impact of these challenges. Some of these efforts include the implementation of a revenue collection strategy to improve month to month cash flow.

The single most notable decision taken by the board and management to turn the entity around during the reporting period was to develop a new strategic intent which would have seen the entity operate with a commercial mindset. However, this goal could not be realized in view of the Minister's decision to dissolve the IDT. This created further uncertainty as some clients could not allocate projects to the entity amid fears about the entity's uncertain future.

A four- member interim board presided over the entity during the reporting period, and although it could not quorate as required by the IDT Deed of Trust, the interim board and its structures, especially the Audit and Risk Committee, continued to function properly during the reporting period. Some of the notable achievements include the approval of policies on risk and compliance. However, despite these achievements, the gaps in governance created by the dissolution of the previous board in April 2018 had not been resolved by the end of the reporting period.

Audit outcomes are a strong indicator of the state of an entity. And the IDT received a poor audit outcome in the form of a disclaimer during the 2019/20 financial year. This is a reversal in the progress made to resolve negative audit outcomes of prior years. This reversal of fortunes can be attributed to capacity constraints resulting from the moratorium on the appointment of new/ replacement staff, lack of resources to invest in the necessary IT systems and the low staff moral owing to uncertainty on the future of the IDT.

The fight against fraud and corruption remained uppermost in our minds. The board and management continued to implement recommendations of various investigations it had commissioned and those emanating from the

Presidential Proclamations for the Special Investigations Unit (SIU) to conduct specific investigations against the IDT.

The financial results presented in this report suggest that the sustainability and financial viability of the IDT continue to be under threat. With the size of its portfolio shrinking, the entity needs support from the shareholder, especially the allocation of more projects. The allocation of a further project portfolio by the shareholder will also inspire confidence among other clients who might be reluctant to work with the IDT in view of its challenges and the unjustified reputational harm it has suffered over the years. This will also ensure that the entity can assure clients that programmes and projects under its management will remain secured and implemented to the required standards and quality.

Some client departments continue to delay the transfer of programme funds to the IDT, and this in turn affects the payment of service providers, increasing the risk of litigation against the entity and further damaging its reputation. Some clients insist on the submission of service provider invoices before they transfer funds, which in consequence affects turnaround times for the payment of service providers. A new contracting model which came into effect during the 2018/19 financial year distributes the risk proportionally between the IDT and the clients in terms of performance obligation and will go a long way towards reducing the risk of litigation against the entity.

Continuous stakeholder engagement reflects the seriousness with which an organisation takes its clients and has a bearing on its long-term sustainability. During the reporting period, the interim board and management continued to mend broken relations with old clients and started creating new relations with other clients, especially in regions where the entity had a limited footprint. These efforts were beginning to have a positive impact and were promising to generate a business pipeline for the entity from both old and new clients.

Despite downward trajectory in its performance during the reporting period, the IDT endeavored to deliver on its mandate of delivering social infrastructure through which it also fulfilled empowerment imperatives such as B-BBEE and public employment initiatives such as the Expanded Public Works Programme (EPWP).

Towards the end of the reporting period, South Africa went into a nation-wide lockdown meant to reduce the spread of the corona virus. Although the impact of the virus on construction activity was minimal during the reporting period, it has since had a become a defining feature of our lives and will cause untold harm to the economy and the construction industry due to frequent work stoppages. I wish to commend IDT management for the proactive steps they took to prevent the impact of the corona virus by applying all the lockdown rules during and after the end of the 2019/20 financial year.

I wish to thank members of the previous board (interim board), IDT management, staff, the Shareholder and National Treasury to address some of the challenges faced by the entity in this difficult time. It is my hope that going we will continue to work closely together to ensure that the IDT remains an integral part of the social infrastructure delivery value chain in South Africa.

Dr Lulama Zitha

Chairperson: Board of Trustees

Mr C Lombaard
Acting Chief Executive Officer

5. Statement by the Acting Chief Executive Officer

It is with a heavy heart to be reporting on our entity's performance, overshadowed by the news of the untimely and tragic passing of our former Chief Executive Officer, Mr Coceko Pakade, whose official employ in our entity formally ended at the end of March 2020 with the expiry of his five-year employment contract.

A very humble, patriotic and well experienced civil servant, who has dedicated his entire adult life to the selfless service of our country. I pray and trust that his soul is well rested. His work and contributions will forever be etched in the institutional memories of our entity and the greater public works and infrastructure sector.

There are arguably three significant works that should rank among the highlights of our entity's performance during the reporting period. These are the completion and official opening of the Mpumalanga High Court by the President Ramaphosa on 08 November 2019; the Interim Board's radical strategic proposal arrived at, in its October 2019's five-year Strategy planning session; as well as almost finalising the Organisational Development (OD) process.

Opening of the Mpumalanga High Court

The symbolical and substantive significance of the court opening for the citizenry of the Mpumalanga province cannot be overstated. It represents a major milestone towards enhancing access to justice for the people of the Mpumalanga province. Its completion also not only put paid to some of the lingering challenges that had come to characterise its construction but largely showcased out entity's strong ability to construct and deliver top class infrastructure projects. It is one of many such infrastructure projects that our entity continues to deliver annually an environment of serious internal organisational constraints and depressed economic situation countrywide of growing budget deficit and reduced public sector spending on social infrastructure.

Interim Board's radical five-year strategic proposal

On 16-17 October 2019, our entity's Interim Board, successfully hosted a "soul searching" or ground breaking five-year strategy planning session, which culminated in a proposal of a new radical strategic approach to turnaround the fortunes of our entity. Armed by the outcome of a SWOT Analysis exercise facilitated by an independent and well respected external facilitator, the session fully appreciated not only the full extent to which the myriad of structural and historical constraints that were almost sabotaging our entity's turnaround interventions but the plethora of repositioning opportunities at its disposal. It was clear that 'doing more of the same' had not produced different results in the past and neither would it do so in the future. The new radical strategy entailed three options for the Shareholder approval, the preferred of which, was the transforming and repositioning of the entity such that it started operating with a commercial mind-set. It is however now a matter of public record that

the Shareholder has reasoned and directed against this preferred strategic trajectory.

Organisation Development (OD) exercise

Following prolonged delays of the OD exercise by both internal and external factors, the interim Board and Management team prioritised its completion by December 2019. The OD's focus was, in essence, on reviewing both the functional and organisational structure in order to ensure, among others, the following:

- Alignment of functions to the new business model designed to reposition the entity;
- Correct matching of staff to positions they are suitably qualified and skilled for; and
- Improved organisational agility for optimal performance and delivery.

With the revised Organizational Structure of 292 staff compliment already approved by the Interim Board in February 2019, significant inroads had been made to move the OD exercise towards its point of completion. These included, among others, facilitation of organisation-wide engagements with employees in different regions, followed by the matching and placement of Senior Management Level. The resourcing of the revised Organisational Structure was already underway with certain positions advertised in line with the Matching and Placement guidelines as well as the IDT Recruitment Policy, when our entity was instructed on 11 September 2019 by the Department of Public Works and Infrastructure to suspend the OD exercise with immediate effect, with a promise of an imminent decision by the shareholder on the future of our entity. The suspension of the OD exercise coupled to the moratorium placed on recruitment of staff effectively grounded our entity's operations to an unexpected halt, with the effects thereof manifest in the subdued performance level that our entity recorded during the reporting period.

General organisational performance

Our entity's overall performance of 31.25 % and 29.57% for programmes one and two, respectively, does not make good reading by any margin. Even more disappointing is the negative audit opinion our entity achieved under the reporting period. It almost a reversal of the commendable strides made in the preceding financial year. Read in context, it is not difficult however to appreciate the constraints that account for the poor performance, one of which is the continued high staff turnover rate of essential resources in critical areas of business operations and the low morale of staff as a result of the pending dissolving of the IDT.

This is aggravated further by the fact that our entity's business operations are propped up mainly by staff constituting more than half of the entire staff complement, whose employment contracts are on short term extension. Predictably and expectantly, remaining staff morale is at lowest. The realism of job insecurity is like an albatross weighing down on even the most promising and committed staff down.

There has also been no marked improvement on business allocation by client departments during the reporting period owing mainly to various external factors beyond the entity's control. To compound matters further some clients have instead opted to significantly reduce their annual allocations to our entity, including requesting the entity to put on hold the planned implementation of some projects. This has negatively affected the entity's portfolio, programme expenditure and revenue generated through management fees.

Our entity's long history of delayed organisational decision making on matters that pertain to the critical aspects of our entity's operations and business has also not helped improve its performance. Much needed interventions that would have significantly turned around our entity's business performance and fortunes were markedly hamstrung or have had to be either suspended or deferred owing to the uncertainty that surround its future.

What could be done?

In order to salvage what remains of our entity, important and urgent decisions need to be taken with regards to what exactly the future holds for the IDT. Delays in this regard are not only destroying staff morale but are also pushing much needed clients and potential future stakeholders away from allocating work to our entity, thereby deepening the entity's cashflow challenges.

There are also a couple of constraints that are retarding our entity's performance that could be easily done away with. These include, among others, the 'moratorium' currently placed on programme implementation (stage 1 - 4); the reinstatement of the suspended Organisation Development exercise and implementation of the new organisational structure and recruitment of personnel. As a mother Department, to whom our entity reports, the Department of Public Works and Infrastructure could also easily, within the context of the MTEF, allocate annual programme portfolios (programme implementation budget) to be implemented by the IDT in the form of a multi-year implementation agency agreement with the Department.

Management has developed an Audit Action Plan to address and respond decisively to the AGSA findings. The effective implementation of the Plan is contingent to the unblocking of some of the reported organisational constraints.

I wish to conclude by acknowledging and appreciating the efforts of our Interim Board, Management team and staff in keeping our entity afloat under extremely difficult circumstances. I also wish to thank the Minister of the Department of Public Works and Infrastructure, the Deputy-Minister, their respective offices and the Office of the Acting Director-General for their support. Lastly; my gratitude is reserved for our Stakeholders and Clients who continue to entrust us their business.

Mr C Lombaard

Acting Chief Executive Officer

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 with the Annual Financial Statements audited by the Auditor General.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.
- The AFS (Part E) have been prepared in accordance with the South African Statement of Generally Accepted Accounting Practice (SA GAAP), PFMA and the relevant frameworks and guidelines issued by the National Treasury.
- The Accounting Authority is responsible for the preparation of the AFS 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 AFS.
- The external auditors are engaged to express an independent opinion on the AFS.

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 2020.

Yours faithfully

Acting Chief Executive Officer
Mr C Lombaard

Acting Chairperson of the Board of Trustees
Dr Lulama Zitha

7. Strategic Overview

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

This strategic posture is encapsulated in the IDT vision, mission and approach as outlined below.

Vision

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

Mission

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

Our Approach

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

Strategic Pillars

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

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

Values and Operating Principles

Table 1: Values and Operating Principles

Values	Operating Principles
People Centred	We support an enabling leadership culture and talent management We encourage teamwork, inclusive and participatory approaches We work towards making positive impact on communities We are driven by the higher goal of improving the lives of people
Integrity	We are open and honest in all our communication We believe in the integrity of our data and reports We treat one another with dignity and respect We conduct our business in a lawful, honest and ethical manner
Professionalism	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

Values	Operating Principles
Accountability	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	We approach our work in a creative manner We explore and implement innovative solutions We are open to new ideas

8. Legislative and Other Mandates

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

The 1997 mandate of the IDT is still in place. The entity reports to Parliament through the Minister of Public Works and Infrastructure, its Shareholder Representative and Executive Authority. The IDT's work contributes to the mission of the Department of Public Works and Infrastructure. In realising this vision, the Department of Public Works and Infrastructure 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 and Infrastructure delivers on its mandate of building and maintaining government immovable assets in the form of social infrastructure across the country. The entity contributes to the national socio-economic development imperatives such as the eradication of poverty, job creation and localisation through enterprise development. Its strategy is aligned to the government Medium Term Strategic Framework (MTSF) and strategic themes of poverty eradication and stimulating economic growth.

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

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

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

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

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

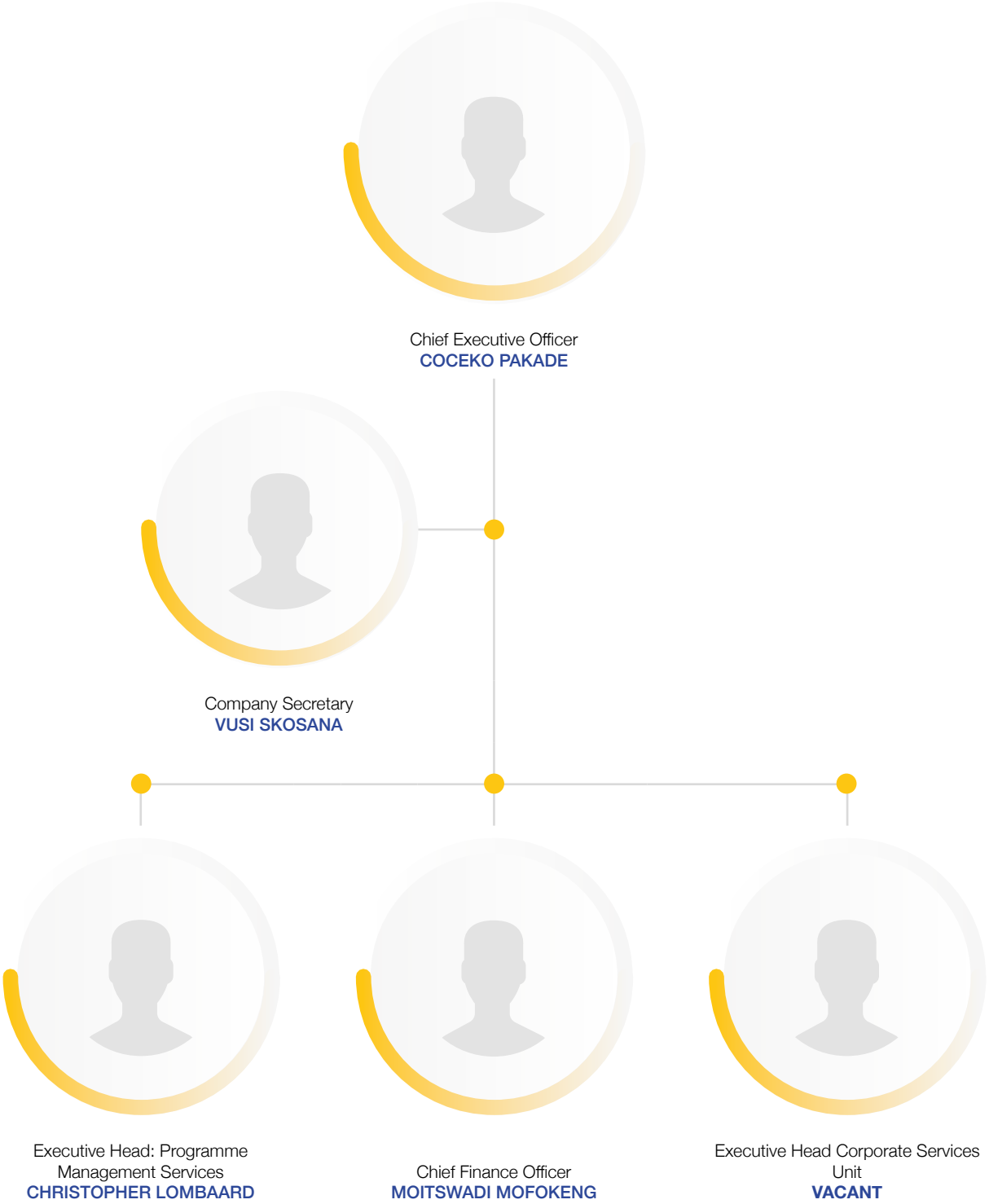
1 Structural Relationships between government and Civil Society Organisations." A report by the Advisory Committee to the Deputy President, as adopted by Cabinet in March 1997. Page 3.

- Constitution of the Republic of South Africa,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) as Amended;
- The Trust Property Control Act, 1988 (Act No. 57 of 1988);
- Promotion of Administrative Justice Act 2000 (Act No.3 of 2000); and
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

9. Organisational Structure

The structure presented in figure 1 reflects top management positions as at 31 March 2020.

Figure 1: Top Management Structure



Part B

PERFORMANCE INFORMATION

PERFORMANCE INFORMATION

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1. Auditor-General's Report: Predetermined Objectives

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

Refer to page 69 of the Report in the Auditors Report, published as Part E: Financial Information.

2. Situational Analysis

2.1. Service Delivery Environment

While government continues to face growing pressure to deliver services and to promote economic growth and development, slow economic growth, increasing budget deficits and rise in public debt define South Africa's fiscal footprint. This is aptly represented by a decline in tax revenue amid increasing demand for social welfare spending in real terms which makes it harder for government to spend on infrastructure.

The decline in government revenue experienced in the past few years and higher levels of public debt gradually limit the scope and ability of government to increase public investment in economic and social development initiatives. A notable outcome of these fiscal constraints has been a reduction in budgetary allocations for government departments for which the IDT delivers services. This invariably negatively affects the size of the IDT programme portfolio, which in turn affects the entity's ability to deliver on its mandate and contribute to the realisation of national priorities.

The following are some of the socio-economic factors that characterised the service delivery environment during the 2019/20 financial year: -

- **Subdued economic growth:** The South African economy was under enormous pressure during the period under review. Real Gross Domestic Product (GDP) increased by 0,2% in 2019 following an increase of 0,8% in 2018. Measured by production,

Real GDP decreased by 1,4% in the fourth quarter of 2019, following a decrease of 0,8% in the third quarter of 2019[1]. Decline in economic activity has an indirect effect on the Independent Development Trust's potential for programme portfolio generation owing to a shrinking tax base which in turn limits public sector allocation to social infrastructure projects.

- **Construction sector under significant pressure**: The construction industry continued to experience significant pressure during the reporting period. While the sector still employs over 8% of the country's labour force and its output accounts for around 4% of GDP, the sector was under significant pressure as spending on infrastructure declined. The industry was experiencing shrinking profit margins, cost overruns, labour disruptions and poor productivity, a shortage of skilled workers and the rising cost of inputs.
- **Declining public expenditure allocation to social infrastructure**: Although the social infrastructure backlog remains high, the public sector allocation to social infrastructure has been decreasing over the past financial years. For example, the 2020 budget allocation reduced basic and higher education infrastructure allocations by R5.2 billion and health infrastructure by R3.9 billion over the medium term. These reductions result in the revision of infrastructure plans and delays in project completion. This scenario put added pressure on the ability of the IDT to secure a sustainable portfolio of programmes
- **A slump in construction sector production:** Following a 2018 slump in construction sector production contracting by 1,2%; the industry's biggest annual fall since 1999 and the worst year in two decades; the sector experienced a third consecutive year of economic decline in 2019. As report in the fourth quarter GDP figures, the industry decreased by 5,9% and had a 0,2 negative percentage point contribution to the GDP growth. The sector shed 14 000 jobs as at the end of the first quarter of 2020 with a total of 45 000 jobs shed for the year ended 31 March 2020
- **Impact of COVID-19 pandemic**: Although a pandemic was declared during the fourth quarter of the financial year, its impact on the sector and the final result for the year has been significant. The sector experience over 60% decline in economic activity as a result of the hard lockdown. Affected by restrictions on movement and constraints on supply and demand of construction inputs, construction activity stalled. Although a limited amount of construction activity was permitted in order to provide the necessary infrastructure to support medical efforts (providing temporary medical and quarantine facilities) and enforce containment, this offered insignificant offset to a reduction in building and construction activity; the areas the IDT is largely involved in. The national COVID-19 lockdown caused delays to all IDT project work on site. Although contractors are confident they will make up some of the time lost with relaxation of work restrictions, completion of projects is expected to be later than initially anticipated.

Other challenges in the operating environment which have a bearing on infrastructure delivery include among others the following:

- A higher demand for infrastructure in urban areas occasioned by demographic shifts, resulting in high rates of urbanisation;
- Demand for localisation of development benefits emphasising local procurement supplies for programmes, e.g. using local suppliers, creation and extension of job opportunities to local community members first;
- The proliferation of construction sector 'transformation forums' demanding participation in project implementation through subcontracting leading to disruption of construction projects work schedules;
- Demand for inclusive development approaches, for example, design of programmes which enhance the role of small contractors, participation of women, youth and people with disabilities;
- Service delivery protests and on-site project-specific community protests escalating the risks of disruption to construction projects; and

1 *Statistics South Africa. Gross Domestic Product, Fourth Quarter, 2019 (P0441)*

- The challenge of ensuring that old and new social infrastructure meet set norms and standards aimed at creating a conducive service delivery environment for all.

Within the constraints of the prevailing tough operating environment, the IDT endeavoured to deliver quality social infrastructure to support government development priorities and improve the livelihoods of marginalised communities.

As part of its contribution to the national development agenda, the entity reached significant milestones in a number of development targets during the reporting period. Some of the notable contributions include the following.

- R2.525 billion expenditure on social infrastructure construction (inclusive of R644.228 million expenditure on EPWP-NSS);
- Creating 71 347 work opportunities through the Expanded Public Works Programme Non-State Sector (EPWP-NSS) initiative
- Supporting a total of 339 Non-Profit Organisations (NPOs) through the EPWP-NSS initiative.
- Spending 63% of total programme spend (R1.591 billion) on BBBEE complaint entities as weighted BBBEE spend[2].
- Allocating R113.738 million (8% of total programme contracts awarded) and R104.007 million (7% of total programme contracts awarded) worth of construction project contracts to youth and women owned companies respectively.
- Completing 77% of projects implemented during the period under review within budget and 61% on time.

The entity completed 70 social infrastructure projects during the reporting period. These include new facilities, renovations, upgrades and maintenance of facilities. All these efforts contribute to revice the outcomes, amongst others *Outcome 1: Improved quality basic education and Outcome 4: Decent employment through inclusive economic growth.*

2.2. Organisational Environment

In recent years, the IDT has delivered on its mandate in a challenging environment marked by a decline in its business portfolio. The decline is caused by among others the shrinking budgetary allocations to client departments leading to scaling down and deferment of project implementation. Invariably, this has continued to have a bearing on the entity's performance during the period under review.

The performance of the entity as reflected in this report suggests a downward trajectory. Reasons for this negative trend among others are: the departure of several key technical staff members who either resigned or took voluntary severance packages without being replaced as a result of the moratorium on staff recruitment. This has increased the workload on remaining staff. This constrained the entity's ability to meet client expectations on programme performance as well as visibility at project sites. As a result, some clients became reluctant to allocate new projects to the IDT while others withdrew their initial project allocations to the entity amid concerns over the lack of capacity. The situation has been further aggravated by the Executive Authority's policy pronouncement of the intention to dissolve the IDT. In the event this policy position is executed, there remains a need to address proper transition and handover of projects managed by the entity which are at different stages from project planning to project closure.

The 2019/20 performance results should be viewed within an organisational environment underpinned by a number of factors that have direct bearing on the scope and quality of performance.

2.2.1. Organisational Turnaround and Restructuring

The IDT has experienced a prolonged transformation process which adversely affected its operations and human resource capacity profile. In 2017, the entity reviewed its Operating Model and developed a Turnaround Plan. The success of the Turnaround Plan hinged on the financing of critical areas of the plan such as Information

2 *Weighted B-BBEE Spend is derived by multiplying total expenditure on a vendor by the vendor's certified BBBEE percentage level.*

Technology Infrastructure upgrade and Finance and Project Management Information Systems development and upgrades (Enterprise Resource Management). The plan was also premised on the successful implementation of the revised operating model and funding for additional resources (human capital and risk financing) required to effect changes in the operations value chain. The Shareholder did not approve funding for the plan and neither did the entity receive or have the funds to implement the plan in its entirety.

During the third quarter, the Department of Public Works and Infrastructure informed the entity to put on hold the process of implementing the revised organisational structure which supported the execution of the Turnaround Plan pending further clarity on the restructuring and rescheduling of the entity.

As part of its contribution to discussions on its future, the IDT Board and Executive Management decided that building a sustainable, financially viable IDT will require a new strategic intent anchored on a commercial mind-set for the period 2020/21 and beyond. According to this new strategic intent: *the IDT is to remain a state owned - but operating with a commercial mind-set, producing a surplus earnings after three years. This will require a three-year reprieve from Government to allow a strategic turnaround to becoming a competitive commercial entity - paying back its debt over 2-3 years.* The new strategic intent was encapsulated in the 2020/21-2024/2025 Strategic Plan and the 2020/21 Annual Performance Plan (APP). However, the Minister did not approve the new plan and instead informed the IDT of the Executive Authority's intention to dissolve the entity by the end of 2020/21 financial year. Subsequently, the Minister appointed a Task Team to work on the exit strategy for the IDT in line with the intention to dissolve the IDT as a Trust and an entity.

2.2.2. Financial State of Health

It has been the IDT's commitment to become a financially viable, compliant, results-based, efficient and focused entity. However, during the year under review, the IDT continued to experience challenges such as ongoing delays in payments from clients. This had a significant impact on the entity's trade and other receivables and, consequently, payments to suppliers, contractors and subcontractors. As a result, the entity's cash position decreased significantly. It became impossible for the entity to comply with the invoice payment turnaround time of 30 days upon receipt of compliant invoices. Furthermore, delays in paying suppliers attracted litigation.

The main contributing factor to the entity's state of financial performance is the lower than planned management fee revenue as a result of a decrease in programme expenditure. A significant reduction in planned programme expenditure resulted in a decline in revenue. Although management fee collection rate was on target, the billing was far below budget resulting in cash flow problems. The entity consistently faced a potential of insufficient reserves to meet all contractual obligations as they became due. This state of affairs was prevalent throughout the period under review. Aggressive management fee collection measures put in place sustained the entity until the fourth quarter. However, with declaration of the National State of Disaster due to COVID-19, the entity required Shareholder funding to meet its operational expenses.

2.2.3. Qualified Audit Opinion and Action Plan

The entity received a qualified audit opinion for the preceding year (2018/19) following a disclaimer opinion for three successive financial years. The qualification was also based on preceding year (2017/18) financials, which could not be sufficiently addressed due to time and resource constraints. The entity has been on course to repair the reputational harm brought about by the preceding years' results. However, it needed to retain critical personnel to adequately address audit action matters to obtain an unqualified audit opinion. Due to the state of job insecurity and uncertainty about the future of the entity, the IDT lost a number of resources critical to the implementation of the audit action plan.

2.2.4. Business Portfolio

The IDT experienced a decline in business portfolio. This is directly related to funding constraints experienced by many departments as a result of budget cuts. The reduction in client departments' budgetary allocations in turn negatively affect the size of the IDT business portfolio. In some instances, clients have either significantly reduced

their annual allocations to the IDT or not allocated projects to the entity at all, including requesting the entity to put on hold the planned implementation of some projects. This has negatively affected the entity's portfolio, programme expenditure and revenue generated through management fees. The picture remained unchanged with respect to the reduction of the annual allocations for the 2019/20 financial year.

2.2.5. Stakeholder Engagement

The entity had made a concerted effort to improve stakeholder relations to secure its long-term sustainability. Some of the notable efforts include mending broken relations with old clients and building new relations with new clients especially in regions where the IDT had a limited footprint as a result of a difficult operating environment occasioned by an unfavourable political climate. These efforts were beginning to have a positive impact and promising to generate a business pipeline for the entity from both old and new clients, especially in regions such as North West, Free State and Mpumalanga. Other efforts included the implementation of a revenue collection strategy to improve month to month cash flow. However, the pronouncement that the Minister intends to dissolve the entity by the end of the 2020/21 financial year has put all these efforts and progress in jeopardy. The entity cannot give clients assurance that programmes and projects under its management will remain secured and implemented to the required standard and quality.

2.2.6. Litigation

The construction industry is highly litigious by nature. As a result, the IDT has a number of legal claims for and against it emanating from matters related to programme delivery. To curb the flurry of litigation, the IDT introduced a new contracting model during the course of the 2018/19 financial year. The contracting model distributes risk proportionately between the IDT and clients with performance obligations on all parties.

However, a number of client departments continued to delay the transfer of programme funds to the IDT. This remained a major concern during the period under review due to the risk of litigation, damage to reputation as well as the late payment of service providers. Several client departments adopted the practice of requiring the service providers' invoices to be submitted directly to them prior to the transfer of funds. This had a negative impact on the payment turn-around times which in turn negatively affects the cash flow of the service providers, especially small, emerging contractors who can hardly afford delays in payment.

Measures to facilitate settlement of disputes with the support of the State Attorney's Office in resolving litigation matters which threatened the continued existence of the entity and small contractors were also put in place during the reporting period.

2.2.7. Corporate Governance Challenges

Following the removal of the Board of Trustees in 2017/18 financial year, a four-member interim Board was appointed at the beginning of the 2018/19 financial year. However, an adequate number of Trustees for the time being needed to be appointed to stabilise governance challenges and ensure that there is a full quorum and compliance with the Deed of Trust. However, by the end of the financial year this had still not happened.

2.3. Key Policy Developments and Legislative Changes

The most notable policy development with a significant impact on the ability of the entity to deliver its services was the decision of the Executive Authority who informed the IDT of the intention to dissolve the Trust and close the IDT as a public entity by the end of the 2020/21 financial year in the foreword to the 2020/21 – 2024/25 Strategic Plan and 2020/21 APP. The announcement of this intention during the fourth quarter changed the tone and character of the entity's operational outlook. Proposals to improve the entity's operational efficiencies, strategies to increase revenue and other related business processes were rendered irrelevant as the focus needed to be on mechanisms to transition the entity towards the dissolution of the Trust. As a result, some of the progress reported herein may, in [the] light of further developments after the end of the reporting period be of no effect or relevance.

Since the Minister has directed that an IDT Exit Strategy be developed and implemented by the end of the 2020/21 financial year, consultation with critical stakeholders should be expedited to provide clarity on the process and mechanisms to be employed to manage current operations. This matter has negatively affected morale of the entity's personnel who are expected to discharge their responsibilities in taking care of the client's programmes.

3. Strategic Outcome Oriented Goals

3.1. Programme 1: Integrated Service Delivery

3.1.1. Strategic Outcome Oriented Goal 1

The IDT contributes to the State's capacity to effectively implement development programmes.

The organisation does this through managing the delivery of multi-sectoral development programmes – predominantly social infrastructure – for and on behalf of client departments, state institutions, municipalities, and in some cases the private sector.

3.1.2. Goal Statement 1

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

3.1.3. Strategic Objective 1

Provision of efficient, effective and integrated public social infrastructure delivery management services:

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

3.2. Programme 2: An effective and efficient administration

3.2.1. Strategic Outcome Oriented Goal 1

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

3.2.2. Goal Statement 1

The IDT is an effective, efficient and sustainable organisation.

3.2.3. Strategic Objective 1

A financially viable, compliant, results-based, efficient and focused organisation.

3.2.4. Strategic Objective 2

Building a sustainable organisation and maintaining a clean administration which is committed to the efficient use of resources, compliant with relevant legislation and regulations and accountable.

Table 2 below shows linkages between the IDT's strategic outcomes oriented goals and its contribution to the NDP outcomes.

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

Priority Outcome Areas	IDT Contribution
Outcome 1: Improved quality of basic education.	• Implementation of public social infrastructure programmes to support provision of education infrastructure e.g. refurbishment, replacement, upgrades and construction of new schools.
Outcome 4: Decent employment through inclusive growth.	• Implementation of public employment initiatives and programmes which contribute to economic development and growth and support to SMMEs, women and youth owned enterprises (e.g. maintenance of public infrastructure using EPWP methods and principles etc.)
Outcome 5: A skilled and capable workforce to support an inclusive growth path.	• Contributes to the creation of a public sector reservoir of skills in the built environment profession i.e. Engineers, Architects, Quantity Surveyors and Construction Project Managers. • Implementation of the CDP to support emerging contractors focusing on women and youth.
Outcome 6: An efficient, competitive and responsive economic infrastructure network.	• Promotion of innovative and Alternative Construction Methodologies and Ecologically Friendly Infrastructural Designs in the erection of public infrastructure. • Implementation of Facilities Management programmes.
Outcome 11: Create a better South Africa and contribute to a better and a safer Africa and World.	• Implementation of public social infrastructure programmes to support one stop government service centres in the small towns with an aim to support local economic development and enhancement of the citizen'0s quality of the life, provision of Early Childhood Development facilities in support of the Department of Social Development, justice and correctional services infrastructure e.g. refurbishment, replacement, upgrades and construction of new facilities.
Outcome 12: Effective and efficient development oriented public service and an empowered, fair and inclusive citizenship.	• Building the IDT into a sustainable organisation and maintaining a clean administration committed to the efficient application of resources; that is accountable and complies with regulations and legislation. • Incorporation of community mobilisation and empowerment in development programmes through social facilitation and other interventions.

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

The 2019/20 APP was underpinned by critical assumptions in setting performance indicators and targets. Key amongst these assumptions were: -

i. The entity will realise a programme portfolio value (order book) of R6.02 billion comprised of new and confirmed (multi-year) programmes.

ii. A total annual programme expenditure projection of R4.71 billion based on projected business portfolio comprising R3.903 billion of confirmed business and the current portion of new business to the value of R803.955 million.

iii. The entity will proceed with implementation of its revised Operating Model.

iv. The new organisational structure approved in February 2019 will be implemented. This would bring on board additional technical resources required to drive business development and implementation of projects.

v. The entity will have sufficient resource to manage infrastructure procurement to ensure that projects are fast-tracked to on-site implementation to contribute towards the entity's cash position as well as managing the cost of infrastructure delivery.

vi. The restructuring process which started with the Organisational Development Project would be completed by the third quarter of the financial year. It was assumed that completion of this process would create stability both at leadership, management and operational levels. This is critical for productivity and performance improvement.

vii. The plan assumed that the turnaround measures which required funding would be adequately resourced. It also assumed that turnaround measures which required no funding, for example the implementation of revised contracting model; implementation of cost containment measures; billing and revenue collection

strategy; etc., would be effective to reverse financial and programme performance decline.

However, not all of these assumptions turned out to be accurate or to reflect the dynamic nature of the performance environment. New business to the value of half a billion rand (R500 million) was generated compared to the projected R2.02 billion. There was no expenditure on the current portion of new business as planned. The revised Operating Model was not implemented whilst the implementation of the revised organisational structure was halted. The Shareholder put a moratorium on the recruitment of new personnel as well as replacement of those who resigned - some of whom were critical to the entity delivery at project sites. The collaboration with the Department of Public Works and Infrastructure on the utilisation of existing technical personnel provided some relief, but was not sufficient as this focused on identified high risk and problematic projects. Changes in management, capacity gaps emanating from the departure of critical staff in some components of the entity exacerbated capacity constraints in the entity. This had a bearing on its ability to deliver on its APP.

The entity made progress in the implementation of less resource-intensive turnaround measures during the period under review. These include implementation of the new contracting model, intensifying cost containment measures through centralisation of critical expenditure items, automation of billing and aggressive revenue collection mechanisms. All these measure made a significant contribution in improving the financial performance of the entity. However, they do not have a significant impact on improving programme delivery activity. The procurement of programme management systems to replace the obsolete one could not be implemented as result of a lack of funding to finance information technology infrastructure upgrade and systems improvements.

The level of confirmed business portfolio is a significant factor in determining the entity's performance outcome. In the past three years the IDT experienced a decline in business portfolio emanating from funding constraints experienced by many client departments as a result of budget cuts as well as the entity's performance gaps within the delivery value chain. This has negatively affected the entity's business portfolio, programme expenditure and revenue generated through management fees.

Whereas the APP for the 2019/20 financial year was based on confirmed business and new business portfolio of R4.71 billion available for projects implementation, the entity maintained a business portfolio of R4.33 billion. The insufficient revenue generating activities from new business made it impossible to achieve the annual expenditure target.

The onset of the COVID-19 pandemic during the course of the fourth quarter further exacerbated the organisation's vulnerability to insolvency as a result of drastically scaled-down operations. As at the end of the reporting period, the entity required immediate capital injection in order to meet its financial obligations.

4.1. Performance Overview

In the 2019/20 financial year, the IDT had 23 targets. Sixteen (16) of these targets were under Programme 1 and remainder, seven (7), under Programme 2.

Despite the harsh operating environment, the IDT continued to strive for effective delivery. The entity achieved six (6) (i.e. 26.09%) of its 23 targets. Ten (10) of these targets (43.5%) were partially achieved while the rest, seven (7) (30%) were not achieved. Table 3 below presents the approved IDT corporate performance standards for predetermined objectives and targets.

Table 3: Corporate Performance Rating

Performance Scores	Relative Performance Level in percentage terms	Strategic Objective 1	Strategic Objective 2	Total	Performance description
1	0-50	3	4	7	Target not achieved
2	51–85	9	1	10	Target Partially achieved
3	86-115	2	2	4	Target Achieved
4	116-130	1	0	1	Target exceeded
5	131+	1		1	Target over achieved
TOTAL		**16**	**7**	**23**	

In 2019/20, the entity spent R2.525 billion on programme delivery with social infrastructure delivery constituting 74.5% of the total expenditure. The portfolio spend per programme category is indicated in figure 2.

4.2. Programme 1: Integrated Service Delivery

The purpose of the integrated service delivery programme is to ensure the provision of efficient, effective and integrated public social infrastructure delivery management services to satisfy client requirements and impact positively on government development agenda. The entity recorded programme performance decline during the year under review in comparison to the preceding years. The R2.525 billion in programme expenditure during the period under review represents a decline by 36.29% compared to the preceding year (R3.964bn). The reduction in expenditure on programme portfolio is as a result of the withdrawal of projects and project budget scaling down by client departments; capacity constraints and the delays in transfer of funds which continued to undermine efforts to improve the entity's performance.

The entity achieved 4 out of 16 targets under Programme 1 during the reporting period. This represents a 25% performance level. The entity also partially achieved nine (9) out of 16 targets under this programme representing a 56.2% performance level.

The following summary reflects the entity's performance under Programme 1:

- The entity generated a total programme portfolio (order book) of R4.33 billion against a target of R6.02 billion. This represent a 72% performance level.
- Percentage of project procurement concluded within sixty days of tender closure stood at 68% against a target of at least 85%. This represents performance level of 80%.
- Ten (10) new facilities were completed against a target of thirty-nine (39) facilities and an additional sixty (60) facilities were either upgraded, renovated or rehabilitated against a target of ninety-two (92) facilities.
- An amount of R113. 378 million worth of programme contracts was awarded to youth out of R1.472 billion being the total value of programme contracts awarded as at the end of the reporting period. This represents a 53% performance level.
- A total of 71 347 work opportunities were created through the Extended Public Works Programme (EPWP) against a target of 54 000 work opportunities. This is a significant achievement in the context of programme implementation which only started towards the end of the second quarter of 2019/20 financial year. Through this programme 339 NPOs were supported against a target of 362 which represents a 94% performance level.
- The IDT created 3 575 work opportunities through its portfolio (excluding EPWP – NSS). This represents 58% performance level against the target of 6 300.
- A total of 52 designated contractors were successfully recruited to participate in the Contractor Development Programme (CDP) against a target of 60 contractors. This represent an 87% performance level against the target. 27 of the 52 contractors are females representing 52% participation rate. This is 12% above the targeted 40% of female participants in the programme. The process to procure additional contractors to participate in the programme was completed in March 2020 when the Management Bid Adjudication Committee (MBAC) approved the procurement of sixteen (16) additional contractors. However, the process to finanlise signing of programme acceptance contracts by successful

contractors was not completed. As at the end of the reporting period, none of the contractors selected to participate in the programme were provided projects to implement.

The following targets were either partially achieved or not achieved as per the approved corporate performance rating scale, which identifies a performance level of 51-85% as a partial achievement while performance below 50% is considered a non-achievement.

- The total value of programme spend stood at R2.525 billion against the total target of R4.707 billion comprised of R3.903 billion and R803.955 million expenditure on confirmed business and new business respectively;
- An amount of R104.007 million worth of programme contracts was awarded to women out of R1.472 billion being the total value of programme contracts awarded as at the end of the reporting period. This represents a 35% performance level.
- 63% (R1.591bn) of total programme spend was on weighted BBBEE spend against a target of 75%;
- Seventy (70) social infrastructure projects were completed as at the end of the reporting period. Based on approved projects time frame and projects budget, fifty-four (54) facilities, which represent 77% of all completed facilities, were completed within budget whilst 43 facilities (61.4%) were completed on time against targets of 80% completion of projects on time and 80% completion of projects within budget.

Table 4: 2019/20 Annual Performance Summary: Programme 1

STRATEGIC OUTCOME ORIENTED GOAL 1	The IDT contributes to the State's capacity to effectively implement development programmes.
GOAL STATEMENT 1	**To adopt a distinctive approach to the delivery of social infrastructure which empowers communities to receive, own, manage and sustain their own development**
PROGRAMME NAME : Integrated Service Delivery	
STRATEGIC OBJECTIVES	• Deliver quality social infrastructure on time, within budget and scope • To employ a development approach in the delivery of development programmes implementation on behalf of government to strengthen community ownership and cohesion • To manage public employment programmes on behalf of government in order to strengthen job creation efforts
OBJECTIVE STATEMENT 1	*To provide efficient, effective and integrated public social infrastructure programme management services:*

Targets	Performance Indicators	2018/19 Actual Achievements	2019/20				Comments (Reason For Variance)
			Annual Targets	Actual Achievements	Variance	Performance Level	
Sub-strategic objective 1.1: To deliver quality social infrastructure on time, within budget and scope.							
1	Value of business generated (in Rand value)	N/A (New target)	R6.02bn	R4.330bn	(R1,69bn)	72%	Confirmation of budgets and budget cuts by client departments contributed to lower target achievement. For example, a client in the Northern Cape withdrew projects initially signed off for implementation during the current financial year.

Targets	Performance Indicators	2018/19 Actual Achievements	2019/20				Comments (Reason For Variance)
			Annual Targets	Actual Achievements	Variance	Performance Level	
2	Percentage of project procurement concluded within 60 days of tender closure	N/A (New target)	≥ 85%	68%	(17%)	80%	Capacity challenges in terms of evaluation teams (high volume of tender submission exceeding available capacity, stretched capacity unable to mend all tender submission in shortened time lines, evaluation teams unable to form quorums, etc.). However, majority of project procurement completed complies with the 90-day standard in terms of the applicable regulations
3	Value of programme spend (confirmed business)	R3.775bn	R3.903bn	R2.525bn	(R1.378bn)	65%	Many Projects placed on hold by client departments due to budget constraints. Some clients reduced project allocations for the year while others did not transfer and/ or delayed programme funds which affected programme spend. The reduced level of operation on account of COVID-19 during the fourth quarter impacting on the project delivery.
4	Value of programme spend (new business)	N/A (New target)	R803.955m	R0	(R136.598m)	83%	An amount of R736.89m worth of portfolio is currently under initiation, design, feasibility and planning. As such expenditure on this will only materialise in the 2020/ 2021 financial year.
5	Number of new / replacement facilities completed	N/A (New target)	39	10	(29)	26%	Delayed project completion resulting in time lost and fewer facilities completed. Over optimistic projection of completion time during project planning. Impact of reduced capacity to monitor and implement projects. Many Projects placed on hold by client departments due to budget constraints
6	Number of non-greenfield social infrastructure facilities completed.	N/A (New target)	92	60	(32)	65%	
7	Percentage of projects completed on time	40%	80% of projects completed on time	61%	(19%)	76%	Most Projects were affected by poor performance of contractors, extension of time, and cash flow problems thus affecting completion time. Delays in the release of funds by client departments.

Targets	Performance Indicators	2018/19 Actual Achievements	2019/20				Comments (Reason For Variance)
			Annual Targets	Actual Achievements	Variance	Performance Level	
8	Percentage of projects completed within budget	70%	80% of projects completed within budget	77%	(3%)	96%	Inclement weather, disruptions by business forums, and contractor cash flow problems.
Sub-strategic objective 1.2: To employ a developmental approach in the delivery of development programmes implementing on behalf of government to strengthen community ownership and social cohesion.							
9	Percentage of weighted B-BBEE spend (based on total programme spend)	69% (R2.622bn)	75%	63% (R1.591bn)	(12%)	84%	Expired BBBEE Certificates contributed to lower spend reported.
10	Percentage of programme contracts value awarded to women (based on value of programme contracts awarded)	15% (R190.663m)	20%	7% (R104.007m)	(13%)	35%	This also corresponds with a general low level of female and youth representation in the construction industry.
11	Percentage of programme contracts value awarded to youth (based on value of programme contracts awarded)	9% (R121.162m)	15%	8% (R113.378m)	(7%)	53%	The entity is assessing opportunity for subcontracting in terms of section 9 of the Preferential Procurement Regulations (2017) for all new projects under planning that qualify for subcontracting to improve performance on this target.
12	Number of designated contractors participating in the CDP	0%	60	52	(7)	87%	The process to procure additional contractors was completed in March 2020 (Bid Committee approval). However, final appointments (issuing of letters) could not be finalised due to the COVID-19 hard lockdown.
13	Percentage of women contractors participating in the CDP	0%	40%	52%	12%	130%	Higher qualifying response to the tender advert by women contractors.
Sub-strategic objective 1.3: To manage public employment programmes on behalf of government in order to strengthen job creation efforts.							
14	Number of work opportunities created through the IDT portfolio (excluding EPWP- NSS)	3 488	6 300	3 575	(2 725)	**58%**	Large proportion of project implemented are not labour intensive. Over-targeting based on projected business portfolio and lower level of programme performance.

Targets	Performance Indicators	2018/19 Actual Achievements	2019/20				Comments (Reason For Variance)
			Annual Targets	Actual Achievements	Variance	Performance Level	
15	Number of EPWP-NSS work opportunities created	63 119	54 000	71 347	17 347	132%	EPWP-NSS Programme was at procurement stage during the first quarter. Programme implementation only began during the third quarter of the financial year.
16	Number of NPOs supported	361	362	339	(23)	**94%**	

2019/20	
TARGET	STRATEGY
Strategies to overcome under-performance	
Value of business generated (in Rand value)	Review key clients MTEF priorities in relation to the 6th Administration priorities and capabilities of the IDT to support delivery thereof and put forward proposals. Develop /review stakeholder engagement plan to support business development initiatives.
Value of programme spend (confirmed business)	
Value of programme spend (new business)	
Percentage of project procurement compliant with sixty day turnaround standard.	Capacitate the Regional SCM unit to be able to attend to tender evaluation process and meet client demands for project implementation to start on planned time.
Percentage of weighted B-BBEE spend (based on total programme spend)	SCM and PMSU to collaborate in reviewing the process of BBBEE certificates updating and filling to ensure that expired certificates are replaced and all compliance matters are addressed.
Number of non-greenfield social infrastructure facilities completed.	The entity continues to engage client departments on funding and the replacement of contractors where their contracts were terminated
Percentage of projects completed on time	The entity continues to engage client departments on funding and the replacement of contractors where their contracts were terminated Reviewing and close monitoring of project risk registers to ensure speedy resolution of problem issues affecting project progress.
Percentage of projects completed with budget	
Percentage of programme contracts value awarded to women (based on value of programme contracts awarded)	The IDT is in the process of finalising a Standardised Tender Document in order to ensure fair, equitable and compliance as part of its SCM processes to procure contractors and the intention is to initiate implementation during January 2020. In addition, an approach to set aside work is under investigation in order to actively improve women and youth participation in construction. Clause 14.0 of the Implementation Guide for Preferential Procurement Regulations, 2017 pertaining to the Procurement Policy Framework Act, Act No. 5 of 2000, Regulation 9 states that there must be a condition of tender to subcontract 30% of the value of a project if it is above R30 million in value where feasible. If it is not feasible, the institution must provide facts and objective analysis to substantiate their decision. The IDT, as an institution of state, must also comply with this requirement. The IDT has therefore looked at different options of implementing the 30% sub-contracting in this document indicating their advantages and disadvantages. It has however indicated that social facilitation is a corner stone for the success of the 30% subcontracting.
Percentage of programme contracts value awarded to youth (based on value of programme contracts awarded)	
Number of designated contractors participating in the CDP	Conclude additional recruitment of CDP participants by the end of the fourth quarter of 2019/20 financial year.

Figure 2: Expenditure Performance Trend: 2016/17 – 2019/20

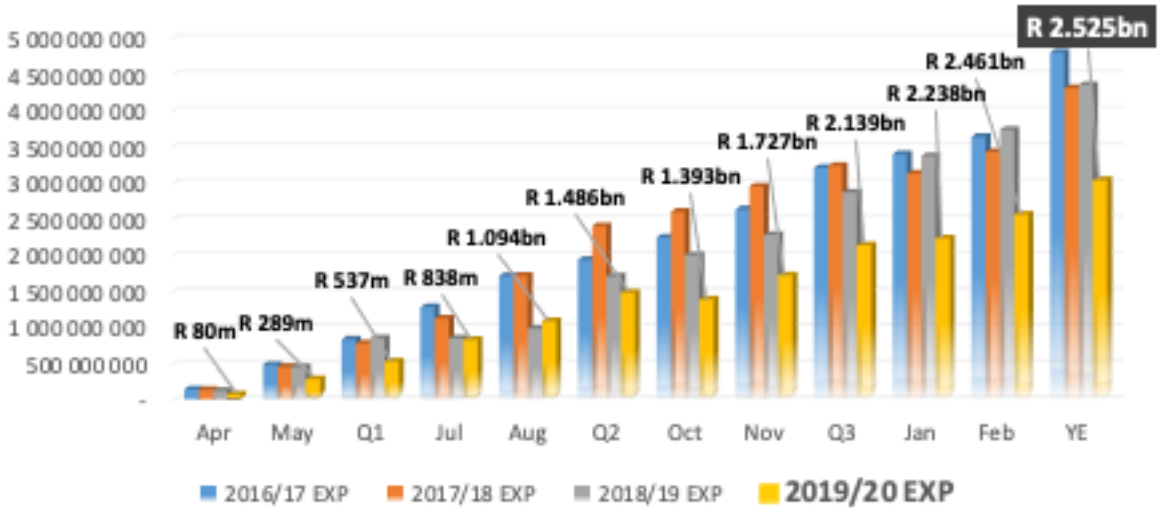
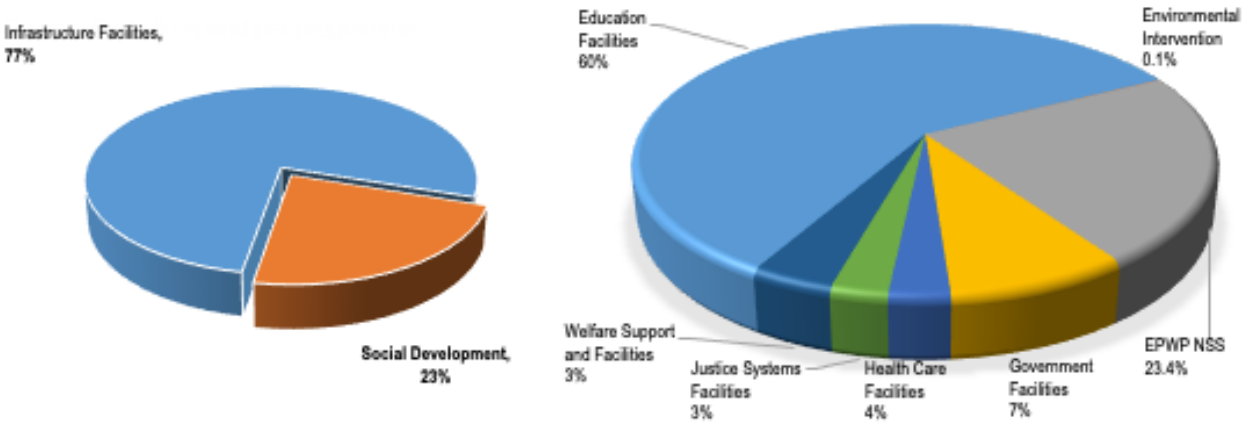


Figure 2 (above) and figure 3 (below) provide a summary of the programme spend per programme portfolio

Figure 3: Programme spend per Programme Portfolio



From the figure above it is clear that education facilities contribute the largest proportion (60%) of expenditure in social infrastructure delivery.

4.3. Programme 2: Administration

The purpose of this programme is to ensure that the Independent Development Trust is a financially viable, complaint, results based, efficient and focused organisation. The programme indicators and targets address the entity's delivery capacity, corporate governance and financial sustainability. Indicators and targets under this programme are aligned with the expectation of clients as well as enabling the entity to contribute towards building a capable state and transformation of the built environment by expanding and strengthening its delivery capacity.

The entity achieved two out of seven targets under programme 2 during the reporting period. This represents 29.57% achievement. In addition to this, one out of seven targets was partially achieved and this translates to a partial achievement of 14%.

The following are performance results under Programme 2 during the reporting period:

- The entity achieved an annual management fee collection ratio of 87% against a target of 90% collection ratio. This represent a 3% performance level below target.
- Percentage of compliant programme invoices paid within 30 days stood at 18%, representing an 82% non-compliance level. This is largely a result of delays by client to make programme funds available and accessible.
- 42% of all of compliant overheads invoices were paid within 30 days of receipt against a target of 100%. This is as a result of cash flow constraints the entity is faced with.
- Corporate occupancy level for funded positions measured on head count basis for positions filled in terms of the old structure against positions in the new structure stood at 77% against a target of 90%.

Table 5 presents a summary of programme 2 performance against set targets. The table also provides reasons for variance in performance as well as strategies to address under performance.

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

STRATEGIC OUTCOME ORIENTED GOAL 2	An effective and efficient administration
GOAL STATEMENT	The IDT is a relevant, effective, efficient and sustainable organisation
PROGRAMME NAME: ADMINISTRATION	
STRATEGIC OBJECTIVE 2	A financially viable, compliant, results-based, efficient and focused organisation.
OBJECTIVE STATEMENT 2	Building a sustainable organisation and maintaining a clean administration which is committed to the efficient application of resources, compliance with regulations and legislation and which is accountable.

Targets	Performance Indicators	2018/19 Actual Achievements	2019/20 Financial Year				Comments (Reason For Variance
			Annual Targets	Actual Achievements	Variance	Performance Level	
1	Operating Surplus ratio (%).	13.65% deficit.	15% Deficit.	(27.58%)	(13%)	0%	Lower than planned revenue which is a result of a decline in programme expenditure and unrealised new business.
2	Annual management fee collection ratio.	New target (5% billed)	90%	87%	Achieved	97%	Clients department honoured their obligation to pay suppliers and the IDT.
3	Percentage of compliant overheads invoices paid within 30 days of receipt	19% of compliant invoices paid within 30 days of receipt (inclusive of programme and overheads invoices).	100% of compliant invoices paid within 30 days of receipt.	16%	84%	16%	Payments to service providers have been delayed or put on hold due the organisation's low liquidity levels. The organisation is currently not generating enough revenue to cover its operational costs.
4	Percentage of compliant programme invoices paid within 30 days of receipt.		100% of compliant invoices paid within 30 days of receipt.	18%	82%	18%	The turnaround time for transfer of funds from client departments exceeds the 30 day prescribed period. This results in programme invoices being paid well after 30 days.
5	Financial audit outcome.	Qualified audit opinion	Unqualified audit opinion.	Disclaimer		0%	
6	Percentage of funded positions filled.	96% corporate occupancy level for funded positions	92% Corporate occupancy level for funded positions.	77% occupancy level (head count compared to the new structure).	(15)%	84%	The moratorium on recruitment of required resources.

Targets	Performance Indicators	2018/19 Actual Achievements	2019/20 Financial Year				Comments (Reason For Variance
			Annual Targets	Actual Achievements	Variance	Performance Level	
7	Implementation of Risk and Compliance Management Plans.	87.5% of risk and compliance plan achieved.	Implement Risk and Compliance Management Plans.	Risk register reviewed for presentation to the Risk and Audit Committee. Report on key risks and mitigation measures taken submitted as required by duly constituted regulatory/ investigative structure.	90%	90%	Reviewed risk register and reports presented to the relevant committee in January 2020.

2019/20 FINANCIAL YEAR	
TARGET	STRATEGY
Strategies to overcome under-performance	
Operating Surplus ratio (%)	• Put in place measures to aggressively pursue new business opportunities with client departments, close-out old projects and revisit the operating and financial model of the organisation. • The organisation requires a capital injection for the short-term and adequate programme contracts for medium to long-term.
Percentage of compliant overheads invoices paid within 30 days of receipt	• This matter will be resolved if funding is received from DPWI / National Treasury (NT).
Percentage of compliant programme invoices paid within 30 days of receipt	• Client departments to transfer funds timeously using the programme invoice dates to ensure the 30 days turnaround adherence time/period.
Implementation of Risk and Compliance Management Plans	• Finalise strategic risk register and implement quarterly.
Financial audit outcome	• Put efforts and resources towards the implementation of the project register and risk/ asset register component of the Audit Action Plan. • Perform accuracy tests on the result of the management fee reconciliation automation to ensure reliability, compliance and effective internal control environment.
Percentage of funded positions filled as per the approved human capital strategy	• Resolve the OD process issues - finalisation of the migration process, the restructuring and rescheduling of the entity as well as recruitment of personnel will address the current underperformance. • A decision to be made by the Shareholder on the future of the IDT.

4.4. Linking Performance with Budgets

The organisation's total operational expenditure amounted to R270.037 million of which approximately 70% was spent on Programme 1 while 30% was spent on Programme 2 to deliver programmes worth R2.525 billion as shown in table below.

Table 6: Budgets and Expenditure by Organisational Strategic Objectives

Strategic Objectives	Ratio	Actual	Budget
	(%)	(R'000)	(R'000)
Deliver quality social infrastructure on time, and within budget and scope	70	189 026	270 633
A compliant, results-based, efficient and focused organisation	30	81 011	112 996
Total	**100**	**270 037**	**383.619**

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

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

Table 7: Major cost drivers of Overheads

Cost category	Actual	Percentage of Overhead
	(R'000)	(%)
Salaries	186 295	69%
Facilities	12 868	5%
IT Expenses	7 356	3%
Travel	8 093	3%
Telephone	5 292	2%
Legal fees	15 394	6%
Total Expenditure on key cost drivers	239 546	90%
Total Operational Expenditure	**270 037**	**100**

The cost-drivers shown in table 7 account for 89% of the total overhead expenditure. Overhead expenditure is the investment that the organisation makes in order to deliver its multi-billion programmes.

4.5. Revenue Collection

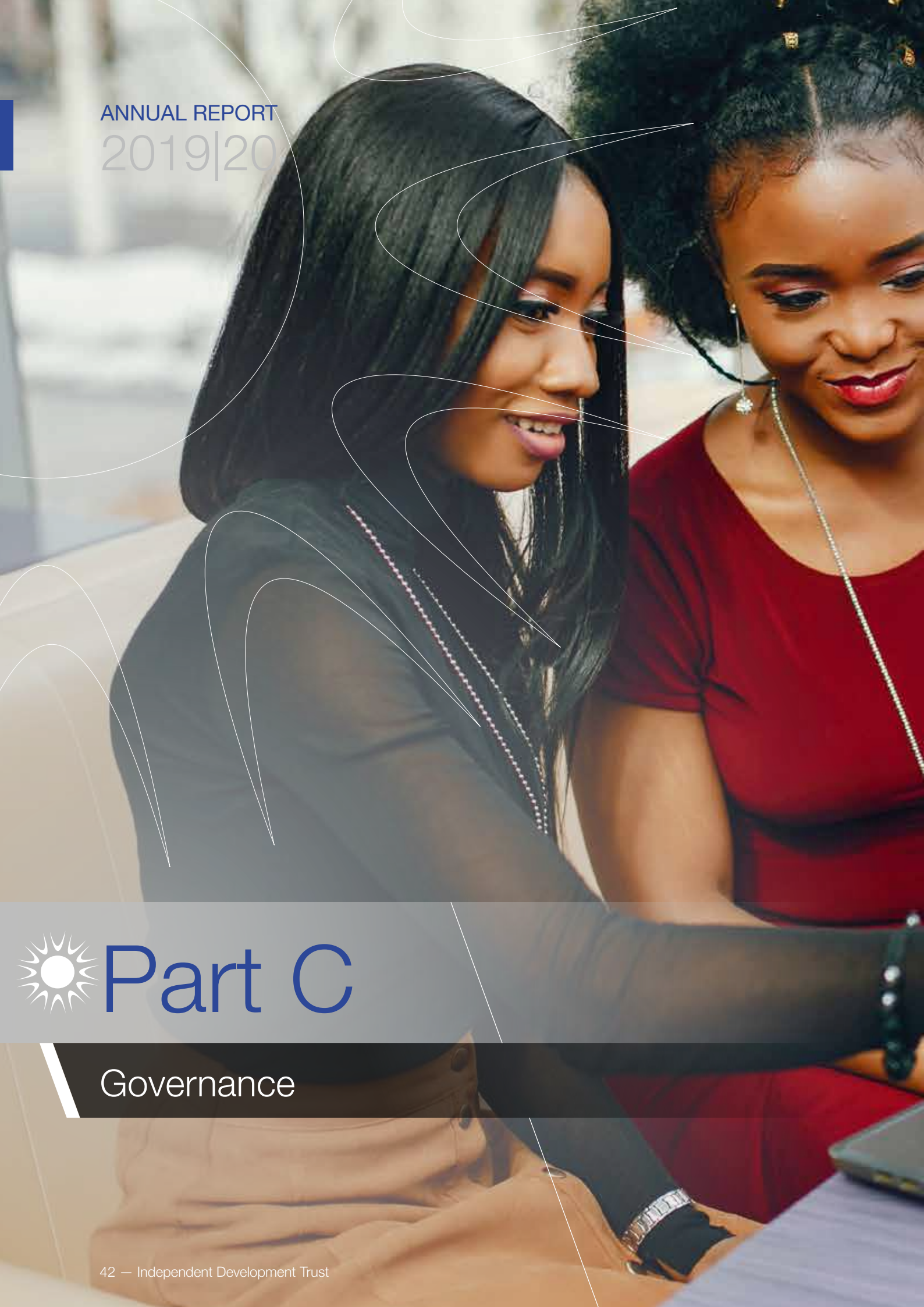
Revenue is directly related to programme expenditure. Programme expenditure as at the end of the reporting period is R2.525 billion against a budgeted target of R4.71 billion, 46.39% below target.

The total management fees billed for the year under review amounted to R201, 621 million. This billing is 43% below the annual billing projected for the 2019/20 financial year. Of the total amount invoiced for the year, R148 593 million was collected representing 73.7% collection ratio. The entity further collected an amount of R70.854 million from prior year billing.

Management fee billing targets were negatively affected by delayed project timelines on existing business. The annual budget assumed an uptake in new business during quarter two of the current financial year. The unrealised new business has contributed to the poor results in management fee revenue generation for the year. The impact of this is materially lower than planned revenue for the year.

4.6. Infrastructure Projects

During the period under review, the IDT managed the implementation of over 2188 projects. These projects include amongst others, construction, rehabilitation and maintenance of schools and health facilities, schools water and sanitation facilities.



Part C

Governance

GOVERNANCE

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1. Introduction

The IDT governance took an unprecedented trend from 2018/19 financial year when the Executive Authority (EA) appointed an Interim Board of Trustees. This arrangement was intended to address identified corporate governance and leadership gaps in the midst of attempts to restructure the entity, whilst the EA contemplated how to constitute a permanent Board of Trustees. However, these activities did not reach the desired conclusion.

The constituted Interim Board of Trustees acknowledged the fact that, as per the provisions of the Deed of Trust, it did not meet the requisite number to form a quorum. In this regard, its activities were limited to the administration and preservation of the assets of the Trust.

This section provides highlights on the organisation's efforts towards maintaining and strengthening good governance practices in line with statutory prescripts, the Deed of Trust, the Shareholder's Compact and the underlying corporate values.

2. Portfolio Committee

The Portfolio Committee on Public Works and Infrastructure has an oversight role over the IDT. During the 2019/20 financial year, the IDT had the following interactions with the Portfolio Committee:

- 3 July 2019: Presentation of the 2019/20 Annual Performance Plan.
- 27 August 2019: Committee oversight visit to IDT.
- 9 October 2019: Presentation of 2018/19 Annual Report.
- 30 October 2019: Briefing on transformation of the IDT.
- 13 November 2019: Presentation to the Select Committee on Transport, Public Service and Administration, Public Works and Infrastructure

After the end of the financial year on 31 March 2020, the entity participated in a number of scheduled sessions of the Department of Public Works and Infrastructure with the Portfolio Committee and the Select Committee. At these sessions, the committees were briefed on the progress the department was making in implementing the policy pronouncement of the Ministry to dissolve the IDT / Trust.

- 28 May 2020: Joint Meeting of Select Committee and Portfolio Committee on Public Works and Infrastructure – presentation on the restructuring of the IDT.
- 17 June 2020: DPWI presentation on IDT Exit Strategy.

3. Executive Authority

The Minister of Public Works and Infrastructure is the Executive Authority (EA) of the IDT. As aforementioned, the EA retained the appointed Interim Board of Trustees as the IDT's Accounting Authority. Through the Shareholder's Compact, the Minster holds the Accounting Authority accountable for delivery of the entity's mandate.

During the reporting period, the Accounting Authority not only submitted the necessary statutory reports and / or strategic documents as detailed herein, but it held significant meetings to discuss the performance and challenges of the entity. This is in addition to the quarterly performance review sessions the Ministry conducted with all entities.

Key submissions to the Ministry:

- Strategic Plan 2020/21 – 2024/25 and the Annual Performance Plan for 2020/21 prepared in line with the framework for Strategic Plans and Annual Performance Plans as published by the Department of Performance Monitoring and Evaluation (DPME).
- Corporate Performance Reports for the:
  - first quarter of 2019/20 covering the period 1 April to 30 June 2019 submitted by the due date of 31 July 2019;
  - second quarter of 2019/20 covering the period 1 July to 30 September 2019 submitted by the due date of 31 October 2019;
  - third quarter of 2019/20 covering the period 1 October to 31 December 2019 submitted by the due date of 31 January 2020; and
  - fourth quarter of 2019/20 covering the period 1 January to 31 March 2020 submitted by due date of 31 July 2020 (as extended due to the COVID-19 pandemic).

The Strategic Plan 2020/21 – 2024/25 and the Annual Performance Plan for 2020/21 were approved by the EA for tabling in Parliament, with the condition that the IDT together with the DPWI will embark on the development of the Exit Strategy of the IDT during the 2020/21 financial year. The IDT Exit Strategy task team was formulated by the EA to which the Acting CEO was a member. Following engagement with the Ministry, the SP and APP were withdrawn and therefore not tabled in Parliament.

4. The Accounting Authority

During the reporting period, the IDT operated under the leadership and oversight of an Interim Board of Trustees pending the appointment of a permanent Board. The Interim Board comprised 4 members appointed by the Minister of Public Works and Infrastructure, with one of these trustees being largely absent until he formal resigned on 28 February 2020.

4.1. Functioning of the Board

The Interim Board of Trustees fulfilled the role of Accounting Authority within the provisions of Clause 10 of the Deed of Trust to preserve and administer the assets of the Trust. As such, it was precluded from making binding decisions that required a quorum. The Interim Board provided strategic direction to management by conducting a strategy workshop which considered the continued existence of the entity, resulting in three options being submitted to the Ministry as part of the five-year Strategic Plan document. It further provided oversight of the entity's operations and its related decisions.

The role, functions and powers of the Interim Board were regulated by the approved Board of Trustees Charter which was adapted to suit its composition and size, specifically as per the provisions of Section 10 of the Deed of Trust.

The Board is the focal point and the custodian of the Corporate Governance Framework which is the overarching policy that directs how all governance structures should operate. It views good governance as a vital component for operating a successful and sustainable business, as well as providing assurance to all stakeholders.

One of the key activities during the reporting period was the implementation of the Organisational Development (OD) Project as per the approval by the then Board in November 2017 and endorsement of the adjusted structure in February 2019. However, the implementation of the recommendations of the OD Project was halted in September 2019 following a directive from the Ministry.

Table 8 present the composition of the Interim Board.

Table 8: Composition of the Interim Board

Name	Designation / Role	Appointment date	Resignation date	Qualifications	Committees	Meetings attended
Mr. Tlhotse Motswaledi	Interim Chairperson	1 July 2012	18 July 2020	MBL, PBL, MSc, BSc(Hons)	None	13/13
Ms. N Rakolote	Trustee	9 April 2018	8 June 2020	B Ed, Diploma in Office Admin and Human Resources Management	Audit and Risk Committee	12/13
Ms. M Fatyela-Lindie	Trustee	9 April 2018	17 June 2020	BA (Political Science and Sociology); MA (Sociology).	Audit and Risk Committee	11/13
Dr M Mthombeni	Trustee	9 April 2018	28 February 2020	PhD	Audit Committee	None

4.1.1. Board Induction, Training and Development

Members of the Interim Board of Trustees did not attend any specific training arranged by the IDT.

4.1.2. Conflict of Interest

Interim Board members, as a requirement of the approved Code of Ethics and Business Conduct Policy, submitted their annual declaration of any personal financial and / or other interests that pose a potential conflict of interest with the business activities of the IDT. This is a requirement also as and when their circumstances change. In addition, declaration of interest is a standing agenda item at all meetings of the Board and its Committees. There were no instances where conflicts of interest existed which would have necessitated that Trustees are advised on how to deal with the matter at hand, including but not limited to request for recusal from meetings. Due to the human capacity constraints in the IDT, specifically the Risk and Compliance Unit, a formal process of assessing and conducting verifications on the annual declaration registers submitted were not done and duly reported to the Board for information.

4.1.3. Delegation of Authority

The Delegation of Authority (DoA) of the IDT was last approved in May 2014. It is the responsibility of the Board to ensure the framework is in place to outline the levels of materiality in relation to the IDT's business and it has

reserved specific powers for its decision making and delegated certain powers to its Committees and the Chief Executive Officer.

4.1.4. Company Secretary

The Company Secretary continued to be the primary point of contact between the Interim Board and Executive Management, and reported administratively to the Chief Executive Officer and functionally to the Board. The Secretary is responsible for, amongst others, administering the proceedings and affairs of the Board and its committees to ensure overall governance and compliance. Furthermore, the Company Secretary is available to assist Board members, advise them on their roles and responsibilities, their professional development, ensure that the Board members are updated on all legislative requirements to ensure compliance and also provide advice on all governance and ethics matters.

The Interim Board, the Audit and Risk Committee and the Executive Management Committee had unrestricted access to the services of the Company Secretary.

4.1.5. Chief Executive Officer

Through the DoA framework, the Chief Executive Officer (CEO) is vested by the Board with decision-making authority on the operational activities, internal governance and control of the business. The CEO is accountable to the Board and is supported by a team of Executives to whom he can further delegate duties and responsibilities in the day-to-day implementation of the Board approved strategy.

The five-year fixed-term contract of the incumbent CEO expired on 31 March 2020. The Interim Board duly engaged the Executive Authority on this matter with a recommendation for the consideration of the replacement in the acting capacity effective from the 2020/21 financial year.

4.1.6. Evaluation of performance of the Board

The Interim Board has not done a formal assessment of its effectiveness during the reporting period.

4.2. Governing structures

Besides the Audit and Risk Committee, no other committee was constituted by the Interim Board.

As part of the post-year-end events, the Independent Members of the Audit and Risk Committee jointly resigned effective 9 July 2020. Thus, there is no Audit and Risk Committee Report for the 2019/20 Annual Report.

Table 9 reflects the composition of the committee, members' qualifications and record of attendance to meetings held.

Table 9: Audit and Risk Committee meeting attendance schedule

Name of Member	Qualifications	Date Appointment	Date Resigned	No. of Meetings Attended
Dr. P. Dala	PhD (IT), M.IT, BSc Hons in Computer Science, B.IT, CISA, CISM, CISSP, CRISC, CGEIT, CEH, CHFI, LA27001.	1 Feb 2018	9 July 2020	10 of 10
Mr. M. Burton	CA (SA), BCompt Hons.	1 Feb 2018	9 July 2020	9 of 10
Mr. P. Moiloa	MBA, BSc Hons in Computer Science, CISA.	1 Nov 2018	9 July 2020	9 of 11
Dr. M. Mthombeni	PhD, MBA.	9 Apr 2018	28 February 2020	NIL
Ms. N. Rakolote	BA (Ed), Dip HR, Dip Office Admin, Public Service Management Programme	9 Apr 2018	N/A	8 of 8
Ms M Fatyela-Lindie	BA, MA.	1 July 2012	N/A	7 of 8
The IDT operated with stand-alone Committees, that is, the Audit Committee and the Risk Committee. The Interim Board then decided to merge the two Committees for ease of reporting and membership				

4.2.1. Audit and Risk Committee

The Audit Committee is an independent committee and its Acting Chairperson is not a member of the Interim Board of Trustees. It was established to provide assurance on the reliability and integrity of both financial and non-financial activities of the IDT. The Interim Board has delegated responsibility for the oversight of risk management to the Audit Committee.

Written reports were presented to the Interim Board and the Acting Chairperson attended most of the Interim Board meetings by invitation to present these reports. The Committee monitored the internal controls in place, to ensure that the IDT's interests and assets were protected. It further ensured that an effective internal audit was in place and that roles and functions of external and internal audit were sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the organisation's internal control environment, risk management, compliance, ICT governance and corporate performance reporting. The committee monitors the process of addressing significant matters that might impact on internal controls arising out of the internal and external audit reports.

4.2.2. Risk Management Committee

The last remaining official within the Risk and Compliance Unit left the employ of the organisation in July 2019. The departure temporarily collapsed the Risk and Compliance function of the Unit. The departure coincided with the halting of recruitment owing to the roll-out of the Organisational Development Project. This led to a temporary collapse of the Risk and Compliance function. Management attempts to secure short-term resources through secondment from the National Treasury and national Department of Public Works and Infrastructure as a temporary measure did not yield the expected outcomes.

As an interim arrangement measure for the Risk and Compliance Unit, the Management assigned the Security Officer to serve as a reference person on general matters pertaining to the unit and reporting directly to the Senior Manager: Office of the CEO, who was appointed to serve as the Unit's Caretaker Head until the issue of capacitation of the Unit had been fully addressed. On 13 September 2019, two external resources were eventually appointed on a temporary basis to act as Senior Manager: Risk and Compliance and a Compliance Officer.

The key task of the newly appointed personnel was to stabilise the Risk and Compliance Unit with a clear view to prepare a proper and cohesive Handover Report to whoever would be formally appointed to Head the Unit in the future. Stabilisation meant, in part, urgently addressing the findings of the Internal Audit Review exercise on the Risk and Compliance Unit. It also meant verifying all the available Unit information for factual accuracy and also attending to day-to-day Unit work.

The Risk Management Committee reviewed the following policies and recommended approval to the Interim Board, which subsequently approved them:

- Compliance Management Policy
- Code of Ethics and Business conduct
- Enterprise Risk Management Policy
- Fraud Prevention Policy
- Gift Policy
- Whistle-blower Policy.

The following new policies were developed**,** and considered by the Management Risk Committee, and Audit and Risk Committee and eventually recommended to the Interim Board which subsequently approved them:

- Combined Assurance Policy
- Business Continuity Policy

The Board is responsible for risk governance at the IDT as stated in the Board Charter. It continuously monitors and reviews the Risk Management Strategy with the assistance of the Risk Committee and oversight of the Audit Committee in fulfilling this responsibility.

4.2.3. Remuneration governance

The Board was remunerated on a directive of the Minister of Public Works and Infrastructure who approved the application of the National Treasury rates.

4.2.4. Technology and Information Governance

As per the King IV principle: "The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives."

The Information Technology Unit under the control of the Chief Financial Officer provided the report highlighting the progress made towards the implementation of the ICT Governance Framework under the IDT's resource constrained environment.

5. Internal Audit

The IDT has an Internal Audit Business Unit whose responsibility is to provide independent and objective assurance on business processes with a view to improving performance. Internal Audit's purpose, authority and responsibility is formally defined in an Internal Audit Charter. The Internal Audit function is underpinned by a three-year rolling strategic plan and annual Internal Audit plan, both of which have been approved by the Audit Committee. A co-sourced Internal Audit firm is contracted to provide capacity.

The Chief Audit Executive is responsible for the management and coordination of the Internal Audit function. The Chief Audit Executive reports administratively to the CEO and functionally to the Audit Committee. In line with the requirements of the Public Finance Management Act (PFMA) and Good Governance, the internal auditors give the Audit and Risk Committee and Management, assurance on the adequacy and effectiveness of internal controls.

The Internal Audit reviews completed during the period under review covered the following areas:

- Review of draft AFS
- Review of Performance Information
- Enterprise Risk Management
- IT Governance/General Controls
- Human Resources Management
- Supply Chain Management – Overheads
- Social Infrastructure Project Audits
- EPWP-NSS Audits
- Review of Draft APP for 2020/2021 financial year.

6. Risk Management

Guided by the PFMA and King Code on Corporate Governance, 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. The Audit and Risk Committee of the Board has the delegated responsibility to ensure that the organisation has identified the key risks facing it and that a strategy to manage those risks is developed and implemented. The outcome of the risk assessment informs the rolling three-year and Annual Internal Audit Plan that is approved and monitored by the Audit and Risk Committee.

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

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

The organisation also had a Management Risk Committee, chaired by the CEO and reporting to the Audit and Risk Committee. The responsibility of the Committee is to review the organisation's Risk Management Plan. The Compliance and Risk Office is tasked with ensuring that there is constant monitoring and reporting on progress made in mitigating risks within the organisation. During the reporting period, the strategic risks highlighted below were identified.

6.1. Financial Unsustainability

Financial sustainability of the IDT remains the single biggest challenge to the organisation. The attainment of

cost recovery through management fees at levels ranging between 6.5% and 7.5% is imperative for attaining financial viability. Cost recovery levels over the years have not been high enough to cover the entity's operating expenses. The risk emanates from the following factors:

- Perceived political environment.
- Budget constraints preventing commitment from stakeholder in respect of funding/capital injection.
- Probability of delivering poor quality projects.
- Declining project portfolio.
- Difficulty in collecting outstanding mangement fees.
- Insufficient project appraisal to provide cost and benefit probable outcome on profitability of projects.
- High probability of projects scope creep as a result of poor planning, increasing and duration of projects.
- Difficulty in operating due to lack of skills and expertise.
- Organisational challenges with records management.
- Lack of clarity from DPWI on the future of the IDT resulting in negative stories/perceptions and reduced business development opportunities.

6.2. Failure to attract and retain critical skills

This risk is given rise to by the followed factors:

- The filling of positions using short-term contract to recruit new staff.
- Prolonged restructuring process resulting in an unstable organisation.
- Organisational culture.
- Increased workload for staff due to high vacancy rate which leads to resignations and ill health.
- Severe financial constraints are curtailing the attraction and retention of requisite skills.
- Productivity - Uncertainty creates low employee satisfaction and engagement.
- Implementation of new organisational structure suspended.

6.3. Litigation

The construction industry is highly litigious in nature. Instances of non-compliance with contractual obligations by client departments abound, creating the risk of litigation against the entity. Feeding into the litigation risk are the following factors:

- Late payments to service providers;
- Clients run out of funds (budget) in-year (before financial year end);
- Late transfer of funds from clients;
- Inadequate contract management;
- Poor programme management capacity (inadequate skills, systems, number of people);
- Poor performance by service providers; and
- Non-recovery of legal costs from clients.

6.4. Non-compliance with governance regulatory framework

The organisation is unable to comply with governance regulatory framework owing to the following factors:

- Uncertainty around commitments from the Shareholder regarding the organisation's restructuring;
- Leadership changes at Board and Executive level;
- Absence of the Board of Trustees; and
- Inability to source Directors and Public Officers' Liability insurance.

6.5. Non-responsive SCM policies and processes

The entity has been unable to provide adequate and responsive SCM processes and policies, due in part to the following challenges:

- Outdated policies and procedure: the entity lacks capacity to update and implement new policy prescripts;
- Poor records management negatively impacting SCM auditing process;
- Lack of streamlined project process and payments.
- Insufficient IT resources (Infrastructure, system, people, finance) to cater for the project management team;
- Non-compatibility of operating system with aligned service;
- Lapses in governance and control; and
- Non-operational ICT strategic framework, which affects hardware, software, ERP, etc.

6.6. Lack of capacity and capability to deliver projects on time, and within budget

The entity has a challenge with over-runs on project implementation delivery and budgets culminating in the misalignment of project quality with industry norms and standards due to, among others, the following constraints:

- Inadequate programme / project management capacity and capability:
- Lack of Programme / Project Management Information System to plan, manage, monitor and report on delivery:
- Lack of IDT norms and standards – IDT brand promise:
- Lack of regular quality assurance – industry and IDT norms and standards;
- Lack of consequence management; and
- Lack of capacity to implement standards regarding project files and document management system.

7. Anti-Fraud and Corruption

In terms of anti-corruption, fraud and ethics, the Whistle-blowing Policy, Code of Conduct and Business Ethics Policy, Gift Policy and Fraud Prevention Policy were reviewed and presented for recommendation to the Board for approval.

With respect to the Fraud hotline, all outstanding payments were processed. However, the contract with the appointed service provider expired in January 2020 and could not be renewed due financial constraints. There is currently no independent Fraud hotline service in place. In addition, a fraud register was presented for the first time to the Committee and included fraud matters (65 cases) reported via the whistleblowing hotline from 2011 to 2018. The majority of the cases were recommended for closure due to lack of evidence, the amount of time that has lapsed, the majority of the staff members cited had since left employ of the IDT and there were a few that recommended a preliminary investigation.

The reasons management provided, in some cases, were not sufficient to support the closure of the matters (especially since they are fraud related allegations) and as such the Committee recommended an independent review to support the conclusion reached. Furthermore, the AGSA had raised concerns around completeness and cited the irregular expenditure cases that requires investigation.

8. 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 Committee 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 Companies and Intellectual Property Commission (CIPC) verification process. This process is done annually.

9. Code of Conduct

The Code of ethics and business conduct is reviewed annually to ensure that it adheres to relevant legislation and regulations.

10. Health, Safety and Environmental Issues

The IDT has an operational Safety, Health and Environment Policy that provides the umbrella framework for dealing with the subject matter. Due to the unique nature of construction projects and the related project sites, each site has a specific SHEQ Plan. The Plans align to the Occupational Health and Safety Act (85 of 1993) and related regulations. The IDT and its service providers are responsible on behalf of clients, for the preparation and implementation of the SHEQ plans and monitoring and reporting thereof.

In order to give effect to the implementation of the prescribed health and safety protocols to manage the flattening of the curve of the COVID-19 pandemic, the Health and Safety Committee played a significant role. Among others, it prepared the work place to be ready for accommodating essential staff to be able execute their duties through the provision of Personal Protective Equipment, Sanitisers, temperature readers and face masks for the national as well as regional offices. The IDT COVID-19 Steering and Compliance Committee ensured monitoring and reporting of infections and took appropriate steps to handle the workplace where positive cases were reported.

11. Compliance with the laws and regulations

During the reporting period, the Compliance Management Policy was revised and approved by the Interim Board. In addition, the Risk and Compliance Unit, amid the human capacity constraints, maintained a database of the Regulatory Universe of the IDT for presentation to the Audit and Risk Committee for noting. However, the entity lacked the comprehensive compliance management programme in order to address the recurring findings of the AGSA, in particular compliance with Supply Chain Management Policy, the PFMA and the development of the Contracts Register for the Project / Programme environment.


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Part D

Human Resource Management

HUMAN RESOURCE MANAGEMENT

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1. Introduction

During the period under review the entity was poised to begin with the implementation of some elements of the revised Operating Model as well as migrating personnel to a new organisational structure. The new personnel provisioning objectives created a balance between technically oriented resources necessary for social infrastructure programme delivery and finance and administrative support resources through the implementation of various focused interventions.

2. Overview of Human Resources matters

The entity finalised the appointment of 62 contract employees for the next five (5) years – employment contract ending in December 2024. Employees, linked to the EPWP, were placed in different regions including the National Office.

Employees of the IDT remain the most critical resource for delivery on its commitments. Despite the financially constrained environment the entity has been facing, a Collective Agreement between NEHAWU and IDT was concluded with employees receiving salary increases below the inflation rate.

2.1. Staff Establishment

A revised organisational structure with 292 positions was approved by the Interim Board in February 2019 as part of the entity's Turnaround Plan.

As part of the Organisational Development (OD) Project roll-out, the entity concluded job profiles and job grading of all approved positions using the Patterson Grading system. The entity also conducted engagement sessions with employees in all the regions on the objective and implementation of the OD process. Following an agreement with the representative union, the organisation started with Section 189 consultation process with affected employees in anticipation of completing the project in December 2019.

The entity had started with the processes of resourcing the new structure to address the ongoing challenge of addressing the ratio between *'core and support staff'* to achieve a desired balance of 70:30 split between core and support staff. Measures to address this issue included the release of 18 support staff by offering them Voluntary Severance Packages. As a result, the split between *core* and *non-core* has slightly improved to 50/50 during the 2019/20 financial year compared to 42% core versus 58% support in 2018/19 financial year. The VSP Project was also done to mitigate the anticipated impact of the OD Project for support workforce that was not going to be absorbed in the revised organisational structure. The entity was also in the process of resourcing the new structure, when the decision to put the project on hold was taken on 11 September 2019 by the Shareholder representative, the Department of Public Works and Infrastructure. In the absence of clarity regarding the Shareholder's future intentions for the entity, this decision nullified all processes concluded at the time and froze those that were underway.

During the year under review, the IDT successfully filled two critical positions: Executive Head (Programme Management Services Unit) and Chief Audit Executive. Furthermore, 59 fixed term contract employees were appointed for five (5) years as part of the entity's role in support of the implementation of Non-State Sector component of the EPWP.

A total of 69 staff resigned during the period under review. This represents 24,73% of the total staff as at the beginning of the 2019/20 financial year. The staff who resigned comprised senior management, professionally qualified, skilled and semi-skilled employees. About 34.78% of the staff resigned as a result of new work opportunities. Another 34.78% left the entity following expiry of their employment contract period. Although critical to the entity's service delivery, the entity's financial position made it impossible to renew or extend such employment contracts. Other reasons for terminating employment with the entity included high levels of uncertainty related to the entity's future.

At the beginning of the 2019/20 financial year, the entity had 279 employees. With the services of 69 employees terminated during the course of the year whilst only 16 new appointments were made during the same period, the entity had a total of 226 employees as at the end of 2019/20 financial year.

2.2. Workforce Planning: key strategies to attract and retain skilled and capable workforce

During the year under review, the IDT has been operating under '*transitional arrangements*' pending the finalisation of the entity's organisational transformation process. The prolonged transformation process resulted in organisational instability and uncertainty. This has had a negative impact on workforce planning, management and retention of critical skills. As a result, recruitment of resources could only be on fixed term contracts and not on permanent basis. This has resulted in continuous renewal and sometimes non-renewal of employment contracts further causing disillusionment and less engagement of workforce. Out of a total headcount of 226, only 46% of the workforce is permanently employed and 54% were on fixed term contracts thus posing labour related risks, less optimal productivity level and instability for the organisation. The organisation has, despite these challenges, continued to deliver on its mandate.

2.3. Talent Management including Succession Management

The OD project intended to provide a holistically fit-for purpose, transformed organisational capability that addresses both the capacity of human resources required to deliver on the projects and the capability of these to ensure enhanced service delivery of social infrastructure in the country. The construction industry faces a skills shortage, especially project managers and highly skilled engineers and other technical staff.

To address the entity's human resources demand, a Talent Management and Succession Management Strategy was reviewed. A number of talent management initiatives were implemented during this period under review. These include, amongst others:

- The roll-out of Mentorship Programme to all candidates that are enrolled for the IDT structured Candidacy Programme in the built environment

discipline. The IDT/CBE candidacy programme which is geared towards increasing the number of professionals in the built environment such as construction project managers progressed well in the reporting period. Candidates were trained, supported and mentored towards attaining professional registration. The identified training interventions formed part of the Work Place Skills Plan (WSP) of 2019. However, the entity continued to experience high staff turnover due to the high level of uncertainty in the organisation similar to the preceding year.

- The entity partnered with the Rand Water Academy to collaborate on the built environment workplace exposure and theoretical training (details to be included in the MOU still under discussion).
- External Bursary Programme: The entity continued to sponsor 12 students pursuing built environment studies.
- The entity appointed ten (10) IDT Bursary students as Graduate Trainees in the built environment. The majority of the Graduate Trainees were placed in the regions.
- Training and development interventions addressing gaps that were identified through performance management and further employee development were implemented. These interventions were mainly in built environment, construction contracts management, audit and risk management, project management and corporate governance amongst others. The entity spent 0.52% of the total payroll on training for the year under review. This is lower than the 1% stipulated by the Skills Development Act.

Despite the financial and resources constraints that were encountered during the reporting period, the entity endeavoured to implement the approved 3-year Human Resource Strategy to ensure that the attraction, development, engagement and retention of suitable candidates within the organisation was given priority.

2.4. Culture Change and IDT Leadership Blue-Print

The implementation of the OD Process was supported by the Change Management Programme which extensively focused on building an inclusive, high performance driven culture and work ethos. Embedding the organisational values has been the driving force of the envisaged culture change. This values-driven culture was intended to support client centricity, high performance and excellence in delivery as well as positioning the entity as an Employer of Choice. Organisational Climate Survey and Leadership Blueprint were amongst key interventions the entity had planned to implement. These initiatives were halted following the Shareholder directive to 'hold' the OD process.

2.5. Employee relations and wellness

The IDT has maintained a healthy working environment. However, the implementation and subsequent the suspension of the OD process during the period under review caused a lot of anxiety amongst employees.

To mitigate the wellness challenges, employee wellness services continued to be provided by a contracted service provider to ensure confidentiality. The services provided during the period under review included:

- Stress Management; the reported figures increased to higher than the industry average;
- Financial Management; financial planning and debt counselling.
- Relationship Management; these were reported as amongst the top presenting problem clusters prevailing for the organisation; higher than industry average.

The utilisation of the entity's wellness services increased significantly due to the uncertainties in the futute of the IDT following the pronoucement by the EA to dissolve the Trust; it was reported to be 10% which is higher than the industry average of 9.9%.

The IDT continued to provide a conducive environment for its employees during the period under review. The entity's facilities are compliant with ergonomic requirements and user friendly and accessible to people living with disabilities.

The entity recorded only five (5) disciplinary cases during the period under review. This is largely due to employees familiarising themselves with organisational policies, practices, procedures and the code of conduct.

3. Human Resources Oversight Statistics

Table 9 below indicates personnel cost per programme during the reporting period. Personnel Cost for support staff during the reporting period stood at 50.2% of the total personnel expenditure while 49.8% of personnel costs was spent on core business.

Table 9: Personnel Cost by Programme

Programme /activity / objective	Total Expenditure for the entity	Personnel Expenditure	Personnel Expenditure as a total % of total Expenditure	No of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Core Business	189 025	130 406	70%	111	1 175
Support	81 011	55 888	30%	115	485 983
TOTAL	**270 036**	**186 294**	**100**	**226**	**1660**

Table 10: Personnel Cost by Salary Band

Level	Personnel Expenditure	%of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee
	(R'000)[1]			(R'000)
Top Management	6 178 184.91	4.27	3	2 059 394.97
Senior Management	21 122 549.95	14.61	15	1 408 170.00
Professional qualified	50 521 890.10	34.95	55	918 579.82
Skilled	41 267 334.45	28.55	77	535 939.41
Semi-Skilled	24 211 159.64	16.75	68	356 046.47
Unskilled	1 232 658.28	0.85	8	154 082.29
SUB-TOTAL	**144 533 777.33**	**100**	**226**	**639 529.99**
Salaries temp Staff				
Retrenchment (including Voluntary Severance Packages)	6 987 451.63	84.25	28	249 551.84
Other (salaries for employees who terminated in between-prior March 2019 & leave provision)	3 154 061.23	15.75	41	76 928.32
TOTAL	**10 141512.28**	**100**	**69**	**10 141512.28**
GRAND TOTAL	**154 675 290.19**			

Table 10 above indicates that the highest expenditure for the period under review for personnel costs was allocated to skilled staff, followed by professionally qualified employees, senior management, semi-skilled, top management and lastly unskilled employees.

1 These figures are as reflected in the sage payroll before adjustment to reflect the final numbers as in the AFS

Table 11: Training costs

Programme/Activity/Objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No of Employees Trained	Average Training Cost Per Employee
	(R'000)	(R'000)	(R'000)		(R'000)
Group interventions(construction contracts & Project quality, risk and time management)	186 295	R926 000.00		73	
Short courses and conferences		R33 284.00		3	R12 397
External Bursaries		R85 825.00		1	R85 825.00
Professional registration		R21669.00		7	R1690.00
Internal Bursaries		R19 979		2	R9 989.50
Other					

Table 11 above presents total training cost for the reporting period.

Table 12: Employment and Vacancies

LEVEL	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/20 No. of Employees	2019/20[2] Vacancies	% of vacancies
Top Management	2	2	3	n/a	n/a
Senior Management	22	6	15	n/a	n/a
Professional qualified	71	81	55	n/a	n/a
Skilled	78	168	77	n/a	n/a
Semi-Skilled	100	35	68	n/a	n/a
Unskilled	11		8	n/a	n/a
TOTAL	**284**	**292**	**226**		

Programme / Activity / Objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
Core Business (**Programme Management Services**)	190	200	111	n/a	n/a
Support **(Administration)**	94	92	115	n/a	n/a
TOTAL	**284**	**292**	**226**	**n/a**	**n/a**

Table 12 above indicate the total head count of employees and occupancy levels against the new organisational structure approved in February 2019. The process of migrating staff into the new structure was stopped in September 2019 following the Shareholder's instruction. This resulted in the misalignment between positions in the approved structure and existing personnel as per head-count indicated in the table above.

2 The mismatch between approved structure and existing personnel makes this column not applicable

Table 13: Employment Changes

Salary Band	Employment at the beginning	Appointments	Terminations	Employment at the end of the reporting period
Top Management	3	1	0	3
Senior Management	20	1	8	15
Professional qualified	59	1	15	55
Skilled	71	10	10	77
Semi-Skilled	82	3	33	68
Unskilled	10	0	3	8
TOTAL	**245**	**16**	**69**	**226**

Table 13 above reflects employment changes for the reporting period.

Table 14: Reasons for staff leaving

Terminations	Total	% of total number of staff leaving
Contract Expired	24	34.78%
Death	1	1.45%
Dismissed	0	0
Resignation	24	34.78%
Early Retirement	0	0
Incapacity	0	0
Retirement	0	0
Retrenchment (including voluntary severance packages)	20	28.98%
Total	**69**	**100%**

Table 14 above reflects the numbers and reasons for terminating employment service with the IDT.

Table 15: Labour Relations: Misconduct and disciplinary action

Disciplinary Action	Number
Verbal Warning (precautionary warning)	3
Written Warning	2
Final Written Warning	0
Dismissal	0
Total	**5**

Table 15 above reflects a summary of disciplinary cases.

Table 16: Employment Equity: Males

LEVEL	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	4	0	0	0	0	1	0
Senior management	9	17	0	1	1	1	2	3
Professional Qualified	28	40	0	2	1	2	3	3
Skilled	41	62	1	5	0	2	2	3
Semi-skilled	21	40	0	3	0	4	0	2
Unskilled	0	1	0	0	0	0	0	0
TOTAL	**101**	**164**	**1**	**11**	**2**	**9**	**8**	**11**

Table 16 above reflects employment equity status [the number of male employees]

Table 17: Employment Equity: Females

LEVEL	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	2	0	0	0	0	0	1
Senior management	3	12	0	1	0	1	0	2
Professional Qualified	20	40	1	2	0	2	2	3
Skilled	32	69	0	5	0	3	0	4
Semi-skilled	45	70	0	3	1	2	2	2
Unskilled	8	10	0	0	0	0	0	0
TOTAL	**108**	**203**	**1**	**11**	**1**	**8**	**4**	**12**

Table 17 above reflects a summary of employment equity status [number of female employees]

Table 18: 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	0
Professional qualified	1	0	0	1
Skilled	0	1	0	0
Semi-skilled	0	0	1	0
Unskilled	0	0	0	0
TOTAL	**1**	**1**	**1**	**1**

Tables 18 reflect employment equity status [number of staff with disabilities] as at the end of March 2020.

Part E

Financial Information

FINANCIAL INFORMATION

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Statement of Responsibility and confirmation of Accuracy

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

All information and amounts disclosed in the annual report is consistent with the AFS audited by the Auditor-General.

The annual report is complete and free from omissions.

The annual report has been prepared in accordance with the guidelines on the annual report issued by National Treasury.

All AFS (Part E) have been prepared in accordance with the Generally Accepted Accounting Principles standards applicable to the entity.

The accounting authority is responsible for the preparation of AFS 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 AFS.

The external auditors are engaged to express an independent opinion on the AFS.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2019.

Yours faithfully

Mr C Lombaard
Acting Chief Executive Officer

Dr Lulama Zitha
Interim Chairperson of the Board

Financial Overview by the Chief Financial Officer

1. Overview of the Annual Financial Statements.

The IDT continued to implement its mandate to deliver social infrastructure programmes and project management services to all spheres of government during the year under review. The entity received a disclaimer audit opinion for the year under review, continuing a trend of negative outcomes of the past few years. Although the qualified audit opinion of the 2018/19 financial year was to have created a foundation for an unqualified audit outcome for the year under review, a number of factors conspired to cause a regress in the outcomes. These include among others, a high vacancy rate emanating from uncertainty about the entity's future and the moratorium on the appointment of new staff announced by the Executive Authority during the course of the financial year. This was exacerbated by the announcement by the Executive Authority, that the entity would be dissolved by the end of the 2021 financial year, which also created anxiety and further uncertainty among staff.

The financial results for the year under review were disappointing and continued on the negative trend of the past financial years. The financial performance for the year reflects a deficit of R107.6m, having moved from a surplus of R2.9m in the 2018/19 financial year. Revenue declined by 33 percent, from R222.03m in the 2018/19 financial year to R148.59m during the reporting period. The year on year decline in revenue is an outcome of the decline in programme expenditure which fell by a further 36 percent from R3.963bn in 2018/19 financial year to R2.525 bn during the year under review. During the financial year under review the organisation received a government grant of about R5m from Department of Public Works and Infrastructure through the National Treasury. The grant was mainly used to support to support operational shortfall experienced as a result of the low revenue and management fee collections from client departments. Cash and Cash equivalents improved materially from R12.327m in 2018/19 financial year to R76.54m during the reporting period.

2. Revenue and Overhead Expenditure

Management fees collection declined from R222.03m in 2018/19 financial year to R148.59m in the year under review, as a result of 36 percent decline in programme expenditures. The total employment expenses amounted to R186.295m in the year under review, in 2018/19 the total employment cost amounted to R196.836m. The employment expenses declined by 5 percent in the year under review.

Administration expenses totaled R63.71m during the reporting period a decline from the 2018/19 expenses which was R80.78m. This was due to the austerity measures implemented by the organisation throughout the year under review.

3. Audit Outcomes for the current financial year

The Auditor General has issued a disclaimed audit opinion for the financial year ended 31 March 2020. The basis for the disclaimed audit opinion was mainly due to a number of challenges namely; non-submission of supporting evidence for a number of transactions undertaken as required by the AGSA. Delays in the submission of information required by the AGSA within the stipulated timeframes were caused by amongst others, lack of capacity, more staff were working remotely as a results of COVID-19 lockdown, making it impossible for them to access the IDT systems containing relevant required information.

4. Irregular, Fruitless and Wasteful expenditure

No irregular expenditure has been condoned during the year under review. Irregular, fruitless and wasteful expenditure have not been reviewed for recoverability.

5. Challenges and Future Outlook

In March 2020 the Executive Authority announced her intention to dissolve the IDT at the end of 2020/21 financial year**.** This created uncertainty with the organisation and the client departments who become reluctant to do business with the entity amid concerns with the future operations of the entity.

6. Events after the reporting period

Reporting for year under review took place when the country was on lockdown following the declaration of the National State of Disaster to contain the COVID-19 pandemic. As a result, a number of staff had to work remotely, further reducing access to some of the key supporting information required for audit purposes. Following the uncertainty over the future of the IDT, members of the Interim Board of Trustees including independent professionals serving as members of the Audit and Risk committee resigned in July 2020 while the audit process was underway. As a result, there was no governance structure to review the Financial Statements before submission to the AGSA.

7. Acknowledgements

Management and staff appreciate that there is much to be done to improve key financial and other controls, including the automation of business processes and the reporting systems. I will to thank the Acting Chief Executive Officer, Executives, staff members for their support during the period under review.

Mr. Moitswadi Mofokeng, CA (SA), MCom
Chief Financial Officer

Report of the Auditor-General
to Parliament on the 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 79 to 120, which comprise statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the 'basis for disclaimer of opinion' section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Programme assets and liabilities

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for programme assets and liabilities, due to the status of the accounting records and non-submission of information in support of these balances. I was unable to confirm programme assets and liabilities by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to programme assets and liabilities, both stated at R2 903 043 000, in note 7 to the financial statements.

Revenue from exchange transactions: Management fees

4. I was unable to obtain sufficient appropriate audit evidence for revenue from management fees for the current and previous year due to the status of record keeping. I was unable to confirm the revenue from management fees by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from management fees stated at R148 593 000 (2019: R222 026 000) in note 13 to the financial statements.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for receivables from exchange transactions, due to the status of the accounting records and non-submission of information in support of these receivables. I was unable to confirm receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R48 507 000 (2019: 152 417 000) in note 4 to the financial statements. Additionally, there was an impact on disclosure notes 25 and 30, which relate to financial instruments disclosure and risk management, respectively.

Payables from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the poor status of the accounting records and significant deficiencies in record keeping controls. I could not confirm the payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to payables from exchange transactions stated at R149 168 000 in note 12 to the financial statements. Additionally, there was an impact on disclosure note 25 relating to financial instruments disclosure.

Property, plant and equipment

7. The public entity did not review the residual values and useful lives of qualifying items of property, plant and equipment at the reporting date in accordance with GRAP 17, *Property, plant and equipment.* I was unable to determine the impact on the net carrying amount of property, plant and equipment, stated at R23 309 000 in note 9 to the financial statements, as it was impracticable to do so.

Contingencies

8. The public entity recognised items that did not meet the definition of a contingent liability in accordance with GRAP 19, *Provisions, contingent liabilities and contingent* assets. Consequently, contingent liabilities were overstated by R65 413 148. In addition, I was unable to obtain sufficient appropriate audit evidence for the restated corresponding figure of contingent liabilities and the disclosure relating to non-programme cases under litigation, as the supporting information was not provided. I was unable to confirm the disclosed balances by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to contingent liabilities, stated at R255 307 000 (2019: R211 424 000) in note 27 to the financial statements.

Irregular expenditure

9. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure, as the public entity did not maintain accurate and complete records of the information used to determine irregular expenditure. I could not confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure stated at R13 300 000 in note 34 to the financial statements.

Fruitless and wasteful expenditure

10. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of the accounting records and non-submission of information. The public entity did not have adequate systems of internal control for the recording of all transactions. I could not confirm fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to fruitless and wasteful expenditure stated at R103 654 000 in note 33 the financial statements.

Prior-year adjustments

11. The public entity did not disclose all previous period adjustments in note 35 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors.* In addition, I was unable to obtain sufficient appropriate audit evidence for the previous period errors disclosed, as certain supporting documentation was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the previous period adjustments disclosed in note 35 to the financial statements.

Material uncertainty relating to going concern

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.
13. I draw attention to note 31 to the financial statements, which indicates that the public entity has been experiencing financial challenges that could potentially be an impediment to its ability to realise its assets and discharge its liabilities in the normal course of business. As stated in note 31, these events or conditions, along with the other matters as set forth in note 31, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Responsibilities of the accounting authority for the financial statements

14. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

16. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
17. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants' *(including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit of the financial statements. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

Report on the audit of the annual performance report

Introduction and scope

18. 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 was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
19. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages
Programme 1- Integrated service delivery	31 - 36

20. I performed procedures to determine whether the reported performance information 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.
21. The material findings in respect of the reliability of the selected programme are as follows:

Programme 1 - Integrated service delivery

Various indicators

22. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
Value of programme spend (confirmed business)	R2 525 000 000
Value of programme spend (new business)	R0

Various indicators

23. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievements, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Indicator description	Reported achievement
Value of business generated (in Rand value)	R4 330 000 000
Percentage of programme contracts value awarded to women(based on value of programme contracts awarded)	7% (R104 007 000)
Percentage of programme contracts value awarded to youth (based on value of programme contracts awarded)	8% (R113 378 000)
Number of designated contractors participating in the CDP	52
Percentage of women contractors participating in the CDP	52%

Various indicators

24. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 8 of the 16 indicators relating to this programme. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator number	Indicator description	Reported achievement
2	Percentage of project procurement concluded within sixty days of tender closure	68%
5	Number of new or replacement facilities completed	10
6	Number of non-green field social infrastructure facilities completed	60
7	Percentage of projects completed on time	61%

Indicator number	Indicator description	Reported achievement
8	Percentage of projects completed within budget	77%
9	Percentage of weighted B-BBEE spend (based on total programme spend)	63% (R1 591 000 000)
14	Number of work opportunities created through the IDT portfolio (excluding EPWP-NSS)	3 575
15	Number of EPWP-NSS work opportunities created	71 347

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. Refer to the annual performance report on pages 31 to 39 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs 22 to 24 of this report.

Adjustment of material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of *Programme 1 -Integrated service delivery.* As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

28. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
29. The material findings on compliance with specific matters in key legislation areas as follows:

Annual financial statements, performance and annual report

30. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55 (1)(c)(i) of the PFMA.
31. The financial statements submitted for auditing were not prepared 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. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer of opinion the full extent of the irregular expenditure could not be quantified.

Consequence management

33. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.
34. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.
35. I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Procurement and contract management

36. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.
37. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the PPPFA.
38. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
39. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.
40. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by the 2017 preferential procurement regulation 5(6) and (7). Similar limitation was also reported in the prior year.
41. Some of the tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with PPP 5(6).
42. Some of the tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with 2017 preferential procurement regulation 5(7).
43. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on pre-qualification criteria that were stipulated in the original invitation for bidding and quotations, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).

44. Tender requirements for some of the contracts above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 preferential procurement regulation 9(1).
45. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
46. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation.
47. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production, were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

Internal control deficiencies

48. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
49. The board of trustees was not properly constituted in line with the requirements of the trust deed during the year under review, therefore hampering effective leadership and oversight. The remaining members of the board as well as the entire audit and risk committee resigned after year-end but prior to submission of the financial statements and annual performance report. Consequently, there were no reviews of these documents by those structures charged with governance.
50. Leadership exercised inadequate oversight responsibility regarding financial reporting, performance reporting, and compliance as well as related internal controls.
51. The ongoing instability as a result of the organisational development process, uncertainty regarding the future of the public entity and moratorium of the filling of vacancies in critical positions resulted in inadequate human resources and low staff morale across the IDT. This had a negative impact on the entity's ability to produce credible financial and performance reports and comply with laws and regulations.
52. Significant deficiencies were identified in the record-keeping system of the entity for the year under review. Complete, relevant, and accurate information was not accessible and available to support financial and performance reporting in certain instances, resulting in the disclaimer of audit opinion and material findings on the annual performance report.
53. No audit action plan was approved for implementation to address the matters that resulted in the qualified audit outcome, material findings on the annual performance report and material non-compliance reported for the financial year ended 31 March 2019.
54. No consequence management was implemented during the financial year due to the absence of investigative capacity in the risk management unit.

Other reports

55. I draw attention to the following engagements which 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.
56. The former President of the Country has, in terms of the Special Investigation Unit and Special Tribunal Act, 1996, authorised the Special Investigation Unit to investigate certain matters in respect of the procurement of, or contracting for goods, works or services by the Independent Development Trust on behalf the Department of Basic Education and payments made in respect thereof. The investigation report was issued on 12 August 2019 and is presently under consideration by the accounting authority.
57. The former President of the Country has, in terms of the Special Investigation Unit and Special Tribunal Act, 1996, authorised the Special Investigation Unit to investigate certain matters in respect of the procurement of, or contracting for goods, works or services by the Independent Development Trust on behalf the Department of Correctional Services and payments made in respect thereof. The investigation was still in progress at the date of this audit report.
58. 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 possible unlawful, improper or irregular conduct by the Independent Development Trust in relation to the "Construction of New Courts Programme" implemented on behalf of the Department of Justice. The investigation was still in progress at the date of this audit report.

Auditor - General

Pretoria

15 December 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the AFS presented to the legislature:

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Trustees' Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the AFS and related financial information included in this report. It is the responsibility of the members to ensure that the AFS fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the reporting period. The external auditors are engaged to express an independent opinion on the AFS and was given unrestricted access to all financial records and related data. The interim Board of Trustees have all resigned.

The AFS have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The members should acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. Please take note that the IDT has a high vacancy rate which results in inadequacies regarding segregation of duties. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. It should be noted that the IDT did not have sufficient resources to ensure that the system of internal controls is effective and efficient. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members were supposed to provide an opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have not reviewed the entity's cash flow forecast for the year to 31 March 2020 and, in the light of this, did not review and the current financial position, and thus there is no conclusion of this review.

The AFS set out on pages 79 - 120, which have been prepared on the going concern basis on the strength of the funding letter from DPWI for the period 01 March 2020 to 31 March 2021. The AFS were supposed to be approved by the Board of Trustees on 31 August 2020 and signed on its behalf by the Chairperson.

Dr L Zitha

Acting Chairperson to the Board of Trustees

Statement of Financial Position

		2020	2019
	Note(s)	R '000	R '000
Assets			
Current Assets			
Receivables from exchange transactions	4	48 507	152 417
VAT receivable	5	3 780	1 927
Receivables - programme payroll	6	5 964	15 739
Programme assets	7	2 903 043	1 769 498
Cash and cash equivalents	8	76 540	12 327
		3 037 834	**1 951 908**
Non-Current Assets			
Property, plant and equipment	9	23 309	26 203
Intangible assets	10	-	1 661
		23 309	**27 864**
Total Assets		**3 061 143**	**1 979 772**
Liabilities			
Current Liabilities			
Finance lease obligation	11	163	869
Payables from exchange transactions	12	149 168	63 618
Programme liabilities	7	2 903 043	1 769 498
		3 052 374	**1 833 985**
Non-Current Liabilities			
Finance lease obligation	11	-	150
Total Liabilities		**3 052 374**	**1 834 135**
Net Assets		**8 769**	**145 637**
Reserves			
Initial funding		2 025 000	2 025 000
Accumulated surplus		(2 016 231)	(1 879 363)
Total Net Assets		**8 769**	**145 637**

Statement of Financial Performance

	Note(s)	2020 R '000	2019 R '000
Revenue			
Revenue from exchange transactions			
Management fees	13	148 593	222 026
Interest received	14	5 803	9 933
Other income	15	3 029	3 948
Total revenue from exchange transactions		**157 425**	**235 907**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	16	5 000	28 362
Total revenue		**162 425**	**264 269**
Expenditure			
Employee related costs	17	(186 295)	(196 836)
Depreciation and amortisation	18	(4 703)	(6 487)
Impairment loss/ Reversal of impairments	19	(2 348)	37 576
Finance costs	20	(114)	(51)
Lease rentals on operating lease	21	(12 868)	(14 732)
Loss on disposal of assets		-	(22)
Administration expenses	22	(63 709)	(80 782)
Total expenditure		**(270 037)**	**(261 334)**
(Deficit) surplus for the year		**(107 612)**	**2 935**

Statement of Changes in Net Assets

	Other NDR	Accumulated surplus	Total net assets
	R '000	R '000	R '000
Balance at 01 April 2018	**2 025 000**	**(1 882 298)**	**142 702**
Changes in net assets			
Deficit for the year	-	2 935	2 935
Total changes	**-**	**2 935**	**2 935**
Balance at 01 April 2019	**2 025 000**	**(1 908 619)**	**116 381**
Changes in net assets			
Deficit for the year	-	(107 612)	(107 612)
Total changes	**-**	**(107 612)**	**(107 612)**
Balance at 31 March 2020	**2 025 000**	**(2 016 231)**	**8 769**

Cash Flow Statement

	Note(s)	2020 R '000	2019 R '000
Cash flows from operating activities			
Receipts			
Sale of goods and services		225 773	226 965
Grants		5 000	28 362
Interest income		3 038	9 933
Other receipts		3 029	3 973
		236 840	**269 233**
Payments			
Employee costs		(186 295)	(196 836)
Suppliers		14 788	(77 015)
Finance costs		(114)	(51)
		(171 621)	**(273 902)**
Net cash flows from operating activities	24	**65 219**	**(4 669)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(150)	(167)
Movement in programme assets and liabilities		(1 133 545)	-
Movement in programme assets and liabilities		1 133 545	-
Net cash flows from investing activities		**(150)**	**(167)**
Cash flows from financing activities			
Finance lease payments		**(856)**	**(1 289)**
Net increase/(decrease) in cash and cash equivalents		**64 213**	**(6 125)**
Cash and cash equivalents at the beginning of the year		12 327	18 452
Cash and cash equivalents at the end of the year	8	**76 540**	**12 327**

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Budget on Accrual Basis	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	235 362	-	**235 362**	148 593	**(86 769)**	36.1
Interest received	-	-	**-**	5 803	**5 803**	36.2
Other income	5 000	-	**5 000**	3 029	**(1 971)**	36.3
Total revenue from exchange transactions	**240 362**	**-**	**240 362**	**157 425**	**(82 937)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	5 000	-	**5 000**	5 000	**-**	36.4
Total revenue	**245 362**	**-**	**245 362**	**162 425**	**(82 937)**	
Expenditure						
Personnel	(217 110)	**-**	**(217 110)**	(186 295)	**30 815**	36.5
Depreciation and amortisation	(7 000)	**-**	**(7 000)**	(4 703)	**2 297**	36.6
Impairment loss/ Reversal of impairments	-	**-**	**-**	(2 348)	**(2 348)**	36.7
Finance costs	-	**-**	**-**	(114)	**(114)**	36.8
Lease rentals on operating lease	(17 277)	**-**	**(17 277)**	(12 868)	**4 409**	36.9
General expenses	(145 231)	**-**	**(145 231)**	(63 709)	**81 522**	36.10
Total expenditure	**(386 618)**	**-**	**(386 618)**	**(270 037)**	**116 581**	
Deficit before taxation	**(141 256)**	**-**	**(141 256)**	**(107 612)**	**33 644**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(141 256)**	**-**	**(141 256)**	**(107 612)**	**33 644**	

Accounting Policies

1. Presentation of Annual Financial Statements

The AFS have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These AFS have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest thousand rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these AFS, are disclosed below.

These accounting policies are consistent with the previous period.

1.1. Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the preparation and presentation of financial statements states that users are assumed to have a reasonable knowledge of Government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.2. Significant judgements and sources of estimation uncertainty

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

Receivables

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on an individual basis, based on historic payment data and client specific infromation. For amounts due to the entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions used in the judgements relating to possible impairment of receivables may change which may then impact our estimations and may then require a material adjustment to the carrying value of the assets.

Value in use of cash-generating assets

The entity reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of the assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested on an annual basis for impairment.

Provisions

Useful lives of property, plant and equipment and other assets

The entity's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the entity. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

1.3. Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it is deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual values. The depreciation charge for each period is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Canteen equipment	Straight line	10 years
Computer equipment	Straight line	5 - 10 years
Furniture and fittings	Straight line	10 - 15 years
Leased office equipment	Straight line	3 - 5 years
Mechanical equipment	Straight line	20 - 25 years
Motor vehicles	Straight line	8 years
Office equipment	Straight line	3 - 10 years

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting policies, changes in estimates and errors.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4. Intangible assets

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over their useful life.

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 6 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). The

gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.5. Impairment of cash-generating assets

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

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Management considers all its assets as cash generating assets as it held in the production of income.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the

remaining useful life of the asset. Greater weight is given to external evidence;

- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.6. Financial instruments

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

Classification

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

Class	Category
Loan[2]	Financial asset measured at amortised cost
Other receivables[2]	Financial asset measured at amortised cost
Other financial asset[1]	Financial asset measured at fair value

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

Class	Category
Other receivables[1]	Financial liability measured at amortised cost
Other receivables[2]	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

1.7. Value-added Tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the accrual basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.8. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are expensed in the period in which they are incurred.

1.9. Retained income/(loss)

The retained income represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited / debited against retained income / (loss). Prior year adjustments, relating to income and expenditure, are credited / debited against retained income when retrospective adjustments are made.

1.10. Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised because the existence thereof will only be confirmed by the occurence or non-occurrence of an uncertain future event not wholly within the control of the IDT. Contingencies are disclosed at the best estimate of the settlement or receivable amount at reporting date. Contingencies are not disclosed If the possibility of an outflow or inflow of economic resources or service potential is remote. Contingencies are disclosed in note 27.

1.11. Commitments

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

Disclosures are required in respect of unrecognised contractual commitments which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, as well as future commitments relating to operating leases. Refer to note 26 - Commitments.

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

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12. Revenue from exchange transactions

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.13. Revenue from non-exchange transactions

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14. Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15. Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.16. Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 29 - Comparative figures.

1.18. Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

For unuathorised expenditure disclosure in the financial statements refer to note.

1.19. Fruitless and wasteful expenditure

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

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

For fruitless and wasteful expenditure disclosure in the financial statements refer to note 33.

1.20. Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

a. this Act; or
b. the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
c. any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end, is recorded in the register and disclosed in the notes to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements are updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be

created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the notes to the financial statements and updated accordingly in the register.

For irregular expenditure disclosure in the financial statements refer to note 34.

1.21. Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

The AFS and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22. Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its AFS.

1.23. Events after reporting date

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

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

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

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

1.24. Programme expenditure, assets and liabilities

The Entity implements social infrastructure and non-infrastructure programmes and project management services on behalf of all three spheres of government

through client-specific service level agreements. The Entity enters into Programme Implementation Agreements (PIAs) with our client departments in terms of standard project contract engagements.

Programme expenditure is defined as construction costs incurred based upon te date of valuation of the progress certificate and Professional Services Provider costs and fees for infrastructure related programmes and projects. This is inclusive of retention fees and interest charged by contractors which is directly attributable to the Client Department defaulting on timeous transfer of funds. Programme expenditure is reduced by penatlies charged by the employer, advance payments not recouped and negative progress work certified. Materials on and off site are not disclosed separately as it is considered as inclusive in value of work executed. Project expenditure relating to Professional Service Providers is recognised at the stage of completion as at reporting date. Work in progress is excluded based upon the generally accepted guideline tariff of professional fees for Quantity Surveyors which provides for invoicing upon successful completion of each stage.

The programme expenditure relating to non-infrastructure programmes is recognised at regular intervals as contractually agreed during the financial reporting period. Funds received from Client Departments are accounted for when the project enters a stage of active implementation. Programme assets are recognised in the financial statements as at reporting date as receivables due to the programmes by the Client Departments for project services rendered and programme cash and cash equivalents at hand at year-end.

Funds held without programme commitments are recognised as a liability as it belongs to the Client Departments and the Entity has an obligation to return these funds upon project completion. Programme construction and Professional Service Provider expenditure incurred but not yet paid at year end are recognised as a programme liability based on the certified stage of completion at reporting date.

The following principles are applied in the recognition of construction programme expenditure stemming from construction contracts:

- Construction contract is a contract, or similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of design, technology and function of their ultimate purpose or use.
- Contractor is an entity that performs construction work pursuant to a construction contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contactor” thus includes a general prime contractor, a sub-contractor to a general contractor, or a construction manager.
- The IDT enters into fixed price contracts, which is a contract in which the contractor agrees to a fixed contract price to which the variation order process and escalations may apply.
- The fees relating to Professional Service Providers are estimates based on the construction contract value and rates per Professional Discipline guided by the fees published in the Government Gazette from time to time.
- Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with Client Department.

The IDT charges management fees on programme expenditure incurred for the reporting period as stipulated by the National Treasury Instruction note 4 of 2014/15. All amounts disclosed in the programme assets and liabilities note are VAT inclusive.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1. Standards and interpretations effective and adopted in the current year

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

GRAP 109: Accounting by Principals and Agents

The effective date of the standard is for years beginning on or after 01 April 2019.

The IDT has adopted the standard for the first time in the 2019/2020 AFS.

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The IDT has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal. However, in entering into binding arrangements with third parties, all the rights and obligations are ceded to the IDT which exposes the entity to variability in the results of the transaction, and thus the IDT undertakes the status of a principal to those third parties. Therefore, the IDT recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

3. First-time adoption of Generally Recognised Accounting Practice

The entity has applied International Financial Reporting Standards (GRAP) for the first time in 2018/19.

The date of transition was 01 April 2018 and the effect of the transition did not have any impact on the 2019/20 financial year as compared to 2018/19 considering the adoption of GRAP 109 in the current year.

4. Receivables from exchange transactions

	R '000	R '000
Receivables - management fees	43 221	119 347
Receivables control	(237)	1 340
Management fees - receivables accrual	20 993	28 410
Sundry receivables	38 573	59 310
Pre-payments	1 075	761
Salary control accounts	2 243	227
Staff debtors	7	-
Allowance for impairment	(57 368)	(56 978)
	48 507	**152 417**

Trade and other receivables pledged as security

No trade receivables was pledged as security during the year.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	14 769	56 978
Provision for impairment	-	(42 209)
	14 769	**14 769**

5. VAT receivable/(payable)

	R '000	R '000
VAT	3 780	1 927

6. Other asset 1

	R '000	R '000
Receivables - programme payroll	5 964	15 739

7. Programme assets and liabilities

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

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

Notes to the Annual Financial Statements

	R '000	R '000
Opening bank balance	660 022	700 324
Funds received from client department	3 232 972	4 410 384
Interest received	48 968	45 335
Total Income (A)	**3 941 962**	**5 156 043**
Programme expenditure	2 336 462	3 664 279
Value of work executed	1 314 716	2 626 080
Professional fees	383 476	389 064
Non-state sector expenditure	644 228	745 532
Interest incurred- Client non compliance	3 345	5 476
Interest incurred- recouped	-	(26)
Penalties due to employer	(8 764)	(27 427)
Damages due to contractor	2 228	1 141
Expenses and losses due to employer	(2 767)	(3 151)
Management fees	188 877	227 064
Management fees - Infrastructure	149 085	184 937
Management fees - Non-state sector	39 792	42 127
Total Expenses (B)	**2 525 339**	**3 963 753**
Programme Balance (A-B)	1 416 623	1 192 290
Interest paid to clients	(25 452)	(19 142)
Programme payments net movement	(696 239)	(513 126)
Closing bank balance	**694 932**	**660 022**
ASSETS		
Programme trade and other receivables	2 204 222	1 105 588
Programme debtors	3 130	3 131
Programme cash and cash equivalents	695 690	660 779
	2 903 042	**1 769 498**
EQUITY AND LIABILITIES		
Funds held in trust	(1 942 719)	(460 680)
Programme trade and other payables	(809 761)	(1 140 560)
Programme retention liability	(150 562)	(168 258)
	(2 903 042)	**(1 769 498)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	R '000	R '000
Cash on hand	20	9
Bank balances	76 520	12 318
	76 540	**12 327**

9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	4 000	-	4 000	4 000	-	4 000
Buildings	16 400	(2 067)	14 333	16 400	(2 067)	14 333
Mechanical equipment	364	(256)	108	364	(241)	123
Furniture and fittings	9 593	(8 312)	1 281	9 443	(7 817)	1 626
Motor vehicles	611	(592)	19	613	(573)	40
Office equipment	9 820	(9 361)	459	9 820	(8 812)	1 008
Computer equipment	10 261	(8 455)	1 806	10 261	(7 125)	3 136
Office equipment - Leased	5 467	(4 187)	1 280	5 467	(3 563)	1 904
Canteen equipment	229	(206)	23	229	(196)	33
Total	**56 745**	**(33 436)**	**23 309**	**56 597**	**(30 394)**	**26 203**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
	R '000	R '000	R '000	R '000
Land	4 000	-	-	4 000
Buildings	14 333	-	-	14 333
Mechanical equipment	123	-	(15)	108
Furniture and fittings	1 626	150	(495)	1 281
Motor vehicles	40	-	(21)	19
Office equipment	1 008	-	(549)	459
Computer equipment	3 136	-	(1 330)	1 806
Office equipment - Leased	1 904	-	(624)	1 280
Canteen equipment	33	-	(10)	23

Reconciliation of property, plant and equipment - As at 31 March 2019						
	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Land	4 000	-	-	-	-	4 000
Buildings	14 333	-	-	-	-	14 333
Mechanical equipment	137	-	-	-	(14)	123
Furniture and fittings	2 410	-	(5)	-	(779)	1 626
Motor vehicles	12	-	-	56	(28)	40
Office equipment	1 819	-	(5)	-	(806)	1 008
Computer equipment	4 640	167	(10)	-	(1 661)	3 136
Office equipment - Leased	2 700	-	(3)	-	(793)	1 904
Canteen equipment	51	-	-	-	(18)	33
	30 102	**167**	**(23)**	**56**	**(4 099)**	**26 203**

Pledged as security

Carrying value of assets pledged as security:

	R '000	R '000
Asset 1	-	3 468

Expenditure incurred to repair and maintain property, plant and equipment

	R '000	R '000
Contracted services	-	1 332

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	5 082	(5 082)	-	5 082	(3 421)	1 661

Reconciliation of intangible assets - As at 31 March 2019	Opening balance	Amortisation	Total
	R '000	R '000	R '000
Computer software	1 661	(1 661)	-

Reconciliation of intangible assets - As at 31 March 2019	Opening balance	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000
Computer software	4 000	47	(2 386)	1 661

Pledged as security

None of the intangible assets were pledged as security.

11. Finance lease obligation

	R '000	R '000
Minimum lease payments due		
- within one year	166	869
- in second to fifth year inclusive	-	150
	166	1 019
less: future finance charges	(3)	(74)
Present value of minimum lease payments	**163**	**945**
Present value of minimum lease payments due		
- within one year	163	804
- in second to fifth year inclusive	-	141
	163	945
Non-current liabilities	-	150
Current liabilities	163	869
	163	**1 019**

It is entity policy to lease certain Office equipment finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10.5% (2020: 15.2%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

12. Payables from exchange transactions

	R '000	R '000
Trade payables	114 022	38 871
Trade debtors with credit balances	1 615	124
Programme funds not yet transferred out	35	-
Accrued leave pay	13 819	10 579
Accrual - 13th cheque	1 625	2 224
Accrued expenses	14 141	11 494
Salary control accounts	3 911	274
Staff creditors	-	52
	149 168	**63 618**

13. Management fees

	R '000	R '000
Management fees	148 593	222 026

14. Interest received

	R '000	R '000
Interest received	3 038	4 997
Finance lease expenditure	98	198
Discounting trade payables	709	-
Discounting trade receivables	1 958	4 738
	5 803	**9 933**

15. Other income

	R '000	R '000
Non - Management Fee Income	350	2 637
Tender deposit	2 679	1 311
	3 029	**3 948**

16. Government grants and subsidies

	R '000	R '000
Operating grants		
Government grant - operating	5 000	28 362

17. Employee related costs

	R '000	R '000
Basic	171 296	189 060
Leave pay provision charge	5 335	2 994
Termination benefits	9 664	4 782
	186 295	**196 836**

18. Depreciation and amortisation

	R '000	R '000
Mechanical equipment	15	15
Furniture and fittings	495	780
Motor vehicles	19	28
Office equipment	549	806
Computer equipment	1 330	1 661
Canteen equipment	10	18
Office equipment - leased	624	793
Amortisation - computer software	1 661	2 386
	4 703	**6 487**

19. Impairment of assets

	R '000	R '000
Impairments		
Trade and other receivables	2 348	(37 472)
Reversal of impairments		
Property, plant and equipment	-	(56)
Intangible assets	-	(48)
	-	**(104)**
Total impairment losses (recognised) reversed	**2 348**	**(37 576)**

20. Finance costs

	R '000	R '000
Discounting - trade payables	-	25
Other interest paid	114	26
	114	**51**

21. Lease rentals on operating lease

	R '000	R '000
Lease rentals on operating lease - photocopier		
Contractual amounts	18	112
Lease rentals on operating lease - premises		
Contractual amounts	12 850	14 620
	12 868	**14 732**

22. Administration expenses

	R '000	R '000
Bank charges	356	355
Catering, meals and entertainment	331	235
Cleaning	1 673	2 019
Consulting and professional fees	530	4 285
Development initiative	60	2 472
Document storage	(743)	5 863
External audit fees	8 261	8 569
Fines and penalties	283	-
Forensic audit	-	914
IT expenses	7 356	11 442
Insurance	557	630
Internal audit	2 438	273
Legal fees	15 394	14 169
Media communication	1 129	1 701
Medical expenses	-	2
Motor vehicle expenses	202	203
Other expenses	11	621
Programme interest	-	359
Postage and courier	141	173
Printing and stationery	1 275	1 472
Property management fees	1 208	634
Recruitment and placement fees	624	226
Repairs and maintenance	1 028	1 278
Restructuring	118	-
Security	898	674
Staff training	1 080	2 135
Stipends	-	394

	R '000	R '000
Subscriptions and membership fees	341	380
Telephone	5 292	3 101
Travel and accommodation - local	8 093	8 636
Trustees remuneration	1 135	1 169
Water, rates and electricity	4 266	6 068
Workshops, conferences and seminars	372	330
	63 709	**80 782**

23. Auditors' remuneration

	R '000	R '000
Fees	8 261	8 569

24. Cash generated from (used in) operations

	R '000	R '000
(Deficit) surplus	(107 612)	2 935
Adjustments for:		
Depreciation and amortisation	4 703	6 487
Gain on sale of assets and liabilities	-	22
Fair value adjustments	-	-
Impairment loss (reversal)	2 348	(37 576)
Reversal	-	(816)
Fair value adjustment	-	26
Changes in working capital:		
Receivables from exchange transactions	66 524	9 417
Receivables - programme payroll	9 775	(1 624)
Payables from exchange transactions	85 546	(2 707)
VAT	3 935	19 167
Programme assets	-	510 448
Programme liabilities	-	(510 448)
	65 219	**(4 669)**

25. Financial instruments disclosure

Categories of financial instruments

As at 31 March 2019

Financial assets	At fair value	Total
	R '000	R '000
Cash and cash equivalents	76 540	76 540
Other asset 1	5 964	5 964
Trade and other receivables from exchange transactions	36 634	36 634
	119 138	**119 138**

Financial liabilities	At fair value	Total
	R '000	R '000
Finance lease obligation	163	163
Trade and other payables from exchange transactions	149 687	149 687
	149 850	**149 850**

As at 31 March 2019

Financial assets	At amortised cost	Total
	R '000	R '000
Cash and cash equivalents	12 327	12 327
Receivables from exchange transactions	114 155	114 155
Loans to shareholders	15 739	15 739
	142 221	**142 221**

Financial liabilities	At amortised cost	Total
	R '000	R '000
Finance lease obligation	1 019	1 019
Trade and other payables from exchange transactions	63 623	63 623
	64 642	**64 642**

Financial instruments in Statement of financial performance

26. Commitments

No capital commitments existed for the year under review.

Operating leases - as lessee (expense)=

	R '000	R '000
Minimum lease payments due		
- within one year	9 430	8 901
- in second to fifth year inclusive	10 564	9 043
	19 994	**17 944**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

27. Contingencies

The table below sets out the contingent liabilities at year end with the maximum potential outflow of resources from the entity:

	R '000	R '000
AD Studio	-	729
Azcon Projects	9 997	9 997
Azcon Projects	9 364	9 363
Bakhi Design	42 050	42 050
DAC	13 264	13 264
Delecx Joint Ventures	20 188	10 687
Iphintombi Construction	671	-
Iliso Consulting	125	508
Msunduzi Local Municipality	34 115	34 115
Ntanga Nkulu Incorporated	1 545	1 545
Progress Construction	-	1 211
Rapid Builders & Contractors	1 386	1 386
Redinare Construction	-	4 332
Respiratory Care Africa (Pty) Ltd	1 300	1 300
Riverside	-	368
SA Fence and Gate	9 000	9 000
Sambumbu & Associates cc	16 777	16 777
Taurus Garden	7 148	7 148
Tusk Construction and Joint Equity Investment in housing	1 988	4 506

	R '000	R '000
Vezokuhle	1 876	1 876
Zeyn Choita Construction	15 022	15 022
Zingwazi Contractors CC	3 042	3 042
Myambo Mxolisi Adolphus & Other	1 304	-
Bakone Secelec JV	29 898	-
Mahlati Quantity Surveyors	1 198	-
Alderwood t/a Buyeye Consulting	231	-
3 Rings Sebata JV	9 607	-
Mmanyane Construction JV BK Steelworks Construction	1 913	-
MD Mokuena	-	900
Navigant Consulting CC	1 257	1 257
Manyeleti Consulting (pty) Ltd	21 041	21 041
	255 307	**211 424**

Contingent liabilities entail amounts that are currently under litigation. Of the litigations are confirmed liabilities from which settlement will result in the outflow of the entity's economic resources to the value of R72 million. Majority of these liabilities have not been settled due to failure by client Departments to transfer funds. The understatement from last year has resulted in the prior period adjusment of contingent liabilitie from R113 million to R211million.

Included in overhead liabilities are amounts relating to non programme cases under litigation to the value of R22 million (2019: R23 million).

Contingent assets

The table below lines out summons issued by the IDT to its service providers at their respective amounts.

	R '000	R '000
MBK Mogotsi Construction SA (pty) Ltd	4 837	4 837
3ME Management	2 581	2 581
Smale & Partners and Demo Construction	6 430	6 430
	13 848	**13 848**

The entity issued summons to its service providers attempting to recover losses due to damages and defective workmanship.

Related parties

Relationships	
Members	Refer to members' report note
Controlling entity	Department of Public Works and Infrastructure
Members of key management	As dislcosed in the note below

Notes to the Annual Financial Statements

Board of Trustees

2020

	Bonuses and performance related payments	Total
Name		
Mr T Motswaledi (Interim Chairperson)	429	429
Ms N Rakolote	302	302
Mr M Mthombeni	-	-
Ms B Fatyela	91	91
	822	**822**

Non-Executive Independent Committee Members	Fees for services	Total
Mr M Burton	83	83
Dr P Dala	18	-
Mr P Moiloa	92	92
	193	**175**

2019

	Bonuses and performance related payments	Total
Name		
Ms O Matloa - end date 18 July 2018	126	126
Mr T Motswaledi (Chairperson)	349	349
Ms N Rakolote	246	246
Ms B Fatyela	135	135
	856	**856**

Non-Executive Independent Committee Members	Fees for services	Total
Mr M Burton	86	86
Dr P Dala	135	135
Mr P Moiloa	92	92
	313	**313**

Executive management

2020

	Basic salary	Post-employment benefits	Termination benefits	Other benefits received	Total
Name					
Mr C Pakade Chief Executive Officer	1 998	285	119	-	2 402
Mr M Mofokeng - Appointed 22 October 2018 Chief Financial Officer	1 524	334	-	-	1 858
Ms T Thankge - Acting Executive CSU Terminated 29 February 2020	793	105	11	84	993
Mr CJ Lombaard - Executive Head PMSU	1 462	229	-	-	1 691
	5 777	**953**	**130**	**84**	**6 944**

2019

	Basic salary	Post-employment benefits	Termination benefits	Other benefits received	Total
Name					
Mr C Pakade Chief Executive Officer	2 075	304	-	-	2 379
Mr M Mofokeng - Appointed 22 October 2018 Chief Financial Officer	837	-	-	-	837
Mr T Booyens - Acting appointment 1 November 2018 Acting Executive - Project Management Services	550	73	-	53	676
Ms Y Mbane - end date 30 April 2018 - Acting Chief Executive Officer	133	19	154	15	321
Mr S Ntsandeni - Acting appointment ending 31 October 2018 Acting Executive - Project Management Services	1 213	205	-	106	1 524
Ms J Kruger - Acting appointment ending 31 October 2018 Acting Chief Financial Officer	616	88	-	71	775
Mr B Masekwameng - end date 30 September 2018 Acting Executive - Corporate Services	563	81	45	53	742
	5 987	**770**	**199**	**298**	**7 254**

Transactions and other engagements with the Department of Public Works and Infrastructure.

59. The IDT has implemented the Non-State Sector programme on behalf of the Department of Public Works and Infrastructure, and all transactions within this programme were at arm's length.

60. The following are entities that are commonly controlled by the Department of Public works, however, the IDT has not conducted business with any of the entities in the year under review.
    1. Property Management Trading Entity
    2. The Council for the Built Environment
    3. Construction Industry Development Board
    4. Agrement South Africa
    5. Engineering Council of South Africa

28. Comparative figures

Certain comparative figures have been restated. Refer to note 35 for the details.

29. Risk management

General

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

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

Managements responsibilities

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

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

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

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

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

Financial risk management

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

Market risk

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.

Credit risk

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 36 million (2019: R123 million). The IDT only transacts with various Goverment 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:

Financial instrument	As at 31 March 2020	As at 31 March 2019
Funds due from programme principals	5 964	15 739
Amounts due from SARS in respect of VAT	3 935	-
Cash and cash equivalents	76 540	12 327

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	R '000	R '000
Cash and cash equivalents	76 540	12 327
Trade and other receivables	36 634	114 155
Funds due from programme principals	5 964	15 739

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.

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.

30. Going concern

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to procure funding for the ongoing operations for the entity.

During the financial year under review - and subsequently - the entity was presented with financial challenges that could potentially be an impediment to its ability to realise its assets and discharge its liabilities in the normal course of business. Furthermore, in the foreword by the Executive Authority, included in the 2018-19 annual report, it was indicated that the department, being the Department of Public Works and Infrastructure, is reviewing the IDT's mandate. To this end, a task team has been convened to produce recommendations on the future direction of the IDT. These recommendations remain outstanding at the date of these financial statements.

The entity's shareholder has committed to providing financial relief, which is considered to be adequate to operationally sustain the entity until 31 March 2021. Based on the promised financial assistance, the IDT does not have reason to believe that the entity will not continue as a going concern in the foreseeable future, however the identified potential material uncertainty relating to going concern remains.

31. Events after the reporting date

The World Health Organisation (WHO) declared COVID-19 a pandemic on 11 March 2020. In response, the South African Government classified COVID-19 as a disaster and issued additional regulations and directions to curtail the disaster. All these events took place before the reporting date of 31 March 2020. These events had no significant impact on amounts recognised and recorded in the AFS of the entity.

However, given the economic environment and the likelihood that further events may occur rapidly or unexpectedly, the Independent Development Trust carefully evaluated information that became available after 31 March and before the date of authorisation of the AFS to identify any additional adjusting events or any non-adjusting events. There are no amounts in the AFS to be adjusted to reflect events after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period.

32. Fruitless and wasteful expenditure

	R '000	R '000
Opening balance	46 281	45 873
Add: Fruitless and wasteful expenditure - current year	1 344	-
Add: Fruitless and wasteful expenditure - prior year	-	49
Add: Fruitless and wasteful expenditure (programme interest) - current year	-	359
Add: Fruitless and wasteful expenditure (programme interest) - prior year		
Less: Fruitless and wasteful expenditure - condoned		
	-	**-**
	47 625	**46 281**

Individual cases are still under investigation.Current year expenditure mainly relates to interest on Telkom accounts and advertising expenses relating to a bid which was not evaluated.

	R '000	R '000
Details of fruitless and wasteful expenditure		
Navigant - Legacy project and CEO's awards function	3 980	3 980
Interest on overdue supplier accounts	143	143
Transactions relating to National Treasury forensic investigation	41 405	41 405
Fruitless and wasteful expenditure (programme interest)	726	726
Advertising bid not evaluated	21	21
Staff training not attended	6	6
Interest charged on Telkom invoice	103 209	-
Gauteng rental interest charged	445	-
	149 935	**46 281**

33. Irregular expenditure

	R '000	R '000
Opening balance	82 653	52 488
Add: Irregular Expenditure - current year	13 300	17 273
	-	12 892
	95 953	**82 653**

Analysis of expenditure awaiting condonation per age classification

	R '000	R '000
Current year	13 300	17 273
Prior years	82 653	65 380
	95 953	**82 653**

Details of irregular expenditure – added current year (relating to current and prior years)

Disciplinary steps taken/criminal proceedings		
Contract Expired	To be investigated	414
ISingle source approved by NT and MBAC for Phase 1 of the project. Expenditure on Phase 2 not approved and will be treated as Ex Post Facto as it was not authorised at the time it was incured.ncident 2	To be investigated	1 043
Invalid reasons for single sourcing though supported by NT and approved by the Bid Adjudication Committee.	To be investigated	77
Contract Expired	To be investigated	6 170
Contract Expired	To be investigated	3 352
New appointment in place	To be investigated	29

Disciplinary steps taken/criminal proceedings		
SLA not yet signed with Sana Developers who gave taken over from Home Grown Properties Rooted Living Services the IDT	To be investigated	2 114
Expost Facto	To be investigated	78
Expost Facto	To be investigated	23
		13 300

Details of irregular expenditure recoverable (not condoned)

	-

No irregular expenditure has been condoned during the year under review.

Details of irregular expenditure not recoverable (not condoned)

No irregular expenditure has been condoned during the year under review. Irregular expenditure have not been reviewed for recoverability.

35. Prior-year adjustments

Presented below are those items contained in the Statement of financial position and Statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

As at 31 March 2019

2020	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
	R '000	R '000	R '000	R '000	R '000
Receivables from exchange transactions	123 167	29 251	-	-	152 418
VAT Receivables	1 927	-	-	-	1 927
Cash and cash equivalents	12 327	-	-	-	12 327
Programme Assets	1 769 498	-	-	-	1 769 498
Property plant and equipment	26 203	-	-	-	26 203
Intangible Assets	1 661	-	-	-	1 661
Receivables programme payroll	15 739	-	-	-	15 739
Finance Leasse Obligation(short term)	(869)	-	-	-	(869)
Trade and other payables	(63 622)	3	-	-	(63 619)
Programme reserves and liabilities	(1 769 498)	-	-	-	(1 769 498)
Finance Leases	(150)	-	-	-	(150)
Initial Funding	(2 025 000)	-	-	-	(2 025 000)
Retained Loss as at 01 April 2018	1 882 298	-	-	-	1 882 298

2020	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
	R '000	R '000	R '000	R '000	R '000
Deficit for the year	26 319	(29 254)	-	-	(2 935)
	-	-	-	-	-

Statement of financial performance

As at 31 March 2019

2 019	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
	R '000	R '000	R '000	R '000	R '000
Management fees	192 775	29 251	-	-	222 026
Service charges	28 362	-	-	-	28 362
Other income	3 948	-	-	-	3 948
Interest income	9 933	-	-	-	9 933
Employent expense	(196 836)	-	-	-	(196 836)
Depreciation and amortisation	(6 487)	-	-	-	(6 487)
Impairment loss/Rerversal of impairments	37 576	-	-	-	37 576
Finance Expense	(51)	-	-	-	(51)
Administration expense	(80 785)	3	-	-	(80 782)
Lease rentals on operating leases	(14 732)	-	-	-	(14 732)
Loss on disposals of assets and liabilities	(22)	-	-	-	(22)
	(26 319)	**29 254**	**-**	**-**	**2 935**

Errors

The following prior period error adjustments occurred:

Error 1

Adjustment to management feesin prior years relating to the population review of programme expenditure for accuracy relating to the correct financial year of disclosure.

	R '000	R '000
Statement of financial position		
Accumulated surplus/deficit	-	(26 316)
Trade receivables from exchange transactions	-	29 251
	-	**2 935**

	R '000	R '000
Statement of financial performance		
Management fees	-	29 254
Retained income	-	(26 319)
	-	**2 935**

36. Budget differences

Material differences between budget and actual amounts

36.1. The main souce of revenue for the entity is management fees driven from programme expenditure. Programme Expenditure is R2.6 billion (45%) below the budget target of 4.7 billion for the year ended 31 March 2020. Thus a similar negative reflection on revenue from services rendered is to be expected. The entity management fees billed is 43% lower than planned. Management fee billing targets have been negatively affected due to project timelines not being achieved for existing business.

36.2. Interest received line item was not budgeted for due to the low levels of cash and cash equivalent forecasted for the financial year. The interest reflected is interest earned on positive cash balance during the financial year.

36.3. The budget for the other income line item reflected the expectation relating to funds received as a result of the issuing of tenders. The entity did not issue the number of tenders it planned for. In some regions,tenders are also no loger sold,but published electronically.

36.4. The entity received 100% of the grant allocation for the 20019/20 financial year. It was an unconditional,operational grant.

36.5. Personnel expenditure includes salaries and wages for permanent as well as temporary staff. This expenditure is related to voluntary serverance packages and retrenchment costs to the value of R9.5 million which is 48% less then the budgeted amount of R18.3 million.Travel Expenses are within the budget and there was a saving of 57% of the budget wich is mostly related to the organisation's programme implementation activities. It should be noted that the low level of travel spend is an indication that the organisation's core business of programme delivery is also on the decline.

36.6. No major variances are experienced in this category.There were no material capital expenditure or disposals during the financial year.

36.7. The entity had not made a provision for impairment of debtors, and thus there is a 100% variance on the line item.

36.8. The finance cost incurred relates to interest charges by landlords for late payment at certain regions as well as by Telkom due to late payment. It has been disclosed as fruitless expenditure accordingly.

36.9. Savings are experienced on operating leases.

36.10. Savings are being experienced across the majority of general expenses, with the most prominent savings on the following categories:

- Travel and subsistence
- Information technology expenses
- Communication expenses
- External and internal bursaries

37. Taxation

No provision has been made for income tax as the entity has no taxable income as the IDT was exempted from income tax in terms of S10(1)(cN) of the Income Tax Act, 1962 as amended. The IDT has been approved as a Public Benefit Organisation in terms of S30 of the Act.

Notes

Notes

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