



**2020/21
ANNUAL REPORT,
Independent Development Trust**

IDT, an entity of the national Department of Public Works



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PART A

GENERAL INFORMATION



1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	Independent Development Trust
REGISTRATION NUMBER	669/91 (Trust Property Control Act [No. 57 of 1988])
PHYSICAL ADDRESS	Glenwood Office Park Corner Oberon & Sprite Streets Faerie Glen Pretoria 0043
POSTAL ADDRESS OF HEAD OFFICE	PO Box 73000 Lynnwood Ridge 0040
Telephone Number/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	(National) Department of Public Works and Infrastructure
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 Executive Council
MP	Mpumalanga
MTEF	Medium-Term Expenditure Framework
MTERF	Medium-Term Expenditure and Revenue Framework
NC	Northern Cape
NDP	National Development Plan: Vision 2030.
NGO	Non-Governmental Organisation

NPO	Non-Profit Organisation
NW	North West
NSS	Non-State Sector
OCEO	Office of the 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
SIP	Strategic Infrastructure Programme
SMME	Small, Medium and Micro Enterprise
SONA	State of the Nation Address
WC	Western Cape



3. FOREWORD BY THE EXECUTIVE AUTHORITY

The Trustees are mainly guided by the Deed of Trust in the performance of their duties, whereas Schedule 2 companies function and report primarily in terms of the Public Finance Management Act (Act No 1 of 1999) ("PFMA").

I set about to engage Cabinet on the future of the IDT. In November 2020, Cabinet supported the reconfiguration of the IDT, with a provision that I must return to Cabinet with a detailed proposal on the proposed institutional form, to be tabled in due course.

It goes without saying that by the end of the 2020/21 financial year work was had already begun to develop a detailed proposal on the future of the IDT and the outcome would be realised only thereafter.

It is encouraging to note that although the IDT was marked by instability and uncertainty on its future, nevertheless work has been ongoing to deliver to clients and even more clients expressed an interest to work with the IDT. To respond to the service delivery requirements of the clients, IDT therefore has needed to put measures in place that will ensure that the Entity is equipped to deliver on its mandate.

The Board and executive management's primary focus in the 2020/21 financial year has been to develop and implement strategies that both stabilise the Entity, refocus its mandate and rebuild the Entity's reputation.

Clients were engaged to give them assurance that the Entity was open for business. The more IDT acquired business the less it will require to rely on fiscal support. During the period under review, the Department supported the IDT financially to the tune of R148 million. The funds were used mainly cover the shortfalls on the overheads, including the compensation of employees.

The 2020/21 financial year was a very turbulent one for the Independent Development Trust (IDT), as it was grappling with corporate governance and performance challenges.

At the start of the financial year the Entity was led by a three-member Interim Board. This presented a major challenge in that the Interim Board did not quorate in terms of the provisions of the Deed of Trust and was accordingly not empowered to direct the Entity out of the myriad of problems it was facing.

I therefore set about to ensure that there was stability at the governance level, returning the Interim Board to the six trustees recognised by the Master of the High Court. Additionally, I appointed two trustees in terms of clause 8.2.2 to arrive a minimum required for the board to quorate.

With some measure of stability attained at the governance level, the next challenge was to put together a strategy for the Entity to solve its multiple problems, including amongst others, the entity's dual institutional form, i.e., being both a Trust and Schedule 2 Public Entity. Trusts are not desirable forms of State organisations, as they pose a challenge in respect of accountability.

I'm encouraged by the fact that the management took steps to minimise expenditure.

Unfortunately the Auditor-General has expressed a disclaimer of audit opinion on the annual financial statements of the IDT. This is mainly due to the unavailability of records, as a bulk of these were locked away elsewhere when management decided to discontinue leasing some of the regional offices, as one of the cost saving measures. The financial and project management systems used by the IDT are outdated, making it difficult to account in a systematic way.

Going forward, it is acknowledged that this is going to be a long and arduous process, but one that is critical as the IDT has a potential that has yet to be realised. One of the issues that IDT must resolve is the use of proper financial and project management systems and record keeping, thereby ensuring streamlined accounting, effective and efficient delivery of services to clients and knowledge management.

The economy of the country is still at an all-time low, which places extreme pressure on the fiscus. With IDT's main focus being on the delivery of social infrastructure, this is an opportune time for the Entity to rethink its business strategy ensuring that the delivery of its mandate is done to a high standard, instilling innovation financially and technically, exploring the avenues of the green agenda and to ensure that the Entity implements the ten key principles of government.

The strategic intent of the IDT is to ensure that it becomes financially viable with an ability to generate revenue.

Following the appointment of new Trustees in July 2021 - although this was after the reporting period - the IDT is starting to demonstrate that it is heading in the right direction.

I am pleased that finally we have been able to submit the IDT Annual Report and Annual Financial Statements for the 2020/21 financial year to Parliament, after a long delay.



Ms Patricia De Lille

Minister of Public Works and Infrastructure



4. FOREWORD BY THE INTERIM CHAIRPERSON OF THE BOARD

I am pleased to write these words of introduction to the Annual Report of the IDT for the 2020/21 financial year. Although the period under review was presided over by another board whose term of office has since ended and of which I was not a member, it is clear that the foregoing period was tumultuous for the entity.

The performance of the IDT as presented in this report reflects the challenges faced by the entity during the reporting period. The Executive Authority's plan to dissolve the IDT by the end of the 2020/21 financial year created anxiety within and outside the entity. Clients became wary of allocating projects to the entity amid concerns over its future and the imposition of a moratorium on work for projects in the planning to procurement stages. Staff morale also plunged to its lowest levels yet, and those who could find employment elsewhere left the entity.

Over the years, the IDT has developed several turnaround initiatives to address its performance and governance challenges, and the year under review was no different. None of the turnaround plans and transformation initiatives was fully implemented, leaving several critical issues unresolved. This left clients and staff anxious and unsure about the entity's future. In the past

year, the entity was to have implemented its transformative strategic intent anchored on the premise that the IDT would become a high-performance organisation operating with a commercial mindset. The new strategic intent was not implemented, and its viability remains untested. The reversal of the Executive Authority's decision to dissolve the IDT creates an opportunity for the entity to reconfigure itself into a fit-for-purpose organisation that meets the expectations of its clients.

The financial results presented in this report suggest that the financial sustainability and viability of the IDT continue to be under threat. The entity needs support from the shareholder in the form of a steady project pipeline. Shareholder support will reverse the unjustified reputational harm suffered by the entity and inspire confidence in existing and potential clients who have been reluctant to allocate projects to the entity.

The declaration of a national state of disaster in response to the outbreak of Covid-19 had a negative impact on the delivery rate of the much-needed infrastructure. Construction plans were revised, and projects were scaled down due to work stoppages on construction sites. Jobs were also lost in the construction industry, while the entity lost some staff members to COVID-19. Although we cannot bring back those who have departed, the least we could do to honour their memory is to ensure that IDT reclaims its place as one of the high-performance organisations in the delivery of social infrastructure.

Despite the challenges it faced during the reporting period, the entity delivered several infrastructure projects. Through these efforts, the IDT is able to increase access to social infrastructure. Expenditure on BBBEE and the Implementation

of the Contractor Development Programme's contribute to the transformation of the built environment. Similarly, job opportunities created through the Expanded Public Works Programmes improve the livelihoods of many people.

One of the most critical areas of focus in the years ahead will be to address issues such as the sustainability of the IDT through business generation, filling of vacant positions and addressing the root causes of poor audit outcomes. I am pleased that management and the board I lead will dedicate time and effort to addressing these issues in the 2021/22 financial year.

I thank members of the previous board, IDT management, staff, and the Shareholder for working tirelessly to address the challenges faced by the IDT during the reporting period; I hope that in the next financial year and beyond, the board that I lead will receive all the necessary support from both

staff and the shareholder to ensure that the IDT takes pride delivery of social infrastructure in South Africa.



Ms Z Hill

Interim Chairperson of the Board of Trustees



The year under review was a difficult one for the organisation. The two most notable events that defined and cast a shadow on the entity's operations were the declaration of a state of disaster to contain the spread of the COVID-19 pandemic and the announcement by the Executive Authority that the entity would be closed by the end of the financial year.

The reporting period was to have been a transformative one for the entity, especially after the interim board and management had chosen a transformative strategic intent to change the entity's fortunes. However, the implementation of the new strategic intent, through which the entity was to operate with a commercial mindset, was set aside amid the announcement that the Executive Authority intended to dissolve the IDT by the end of the 2020/21 financial year.

Covid-19 and the declaration of a state of disaster

South Africa went into level-5 lockdown a few days before the start of the 2020/21 financial year. As a result of this, IDT staff had to work from home. At the same time, construction activity slowed down significantly and, in the

5. STATEMENT BY THE ACTING CHIEF EXECUTIVE OFFICER

process, delayed the completion of several facilities under construction for much of the year. Although much was achieved by easing some lockdown restrictions during the year, it is generally acknowledged that the hard lockdown caused considerable delays to the entity's work.

Announcement of the closure of the IDT

The reporting period was also dominated by the announcement by the Executive Authority that the IDT would be closed by the end of the financial year. This was followed by the appointment of a task team to work on an exit strategy for the entity. After conducting a thorough analysis of the IDT portfolio, its footprint and its role and impact in the infrastructure delivery value chain, the task team submitted its findings to the Executive Authority in June 2020. A high-level analysis by the task team suggests that there is a potential for the IDT to generate the requisite cash flow from its current and future projects. However, the execution of the projects is hampered by capacity constraints, the moratorium on the appointment of new staff and the threat of closure of the entity.

Another significant step which formed part of the overall plan to dissolve the entity included a moratorium on the implementation of projects in stages one to four (planning to procurement). There was no marked improvement in business allocations to the entity as clients either withdrew some projects or did not allocate new projects to the IDT.

A business sustainability plan developed by management at the behest of the Shareholder during the reporting period confirmed the findings of the Exit Strategy task team. It concluded, among others, that given the number of

projects in the IDT portfolio, the entity's operations could not be brought to a close by 31 March, and more time would be needed to complete all projects. Although the decision to dissolve the entity was later rescinded, news of the entity's impending closure dominated much of the year and, in consequence, damaged the IDT brand.

Corporate Governance

The year under review saw the resignation of members of the interim board, which had led the organisation for three years. This created a leadership vacuum that was only filled when another six-member board was appointed in October for six months. The board focused on creating stability in the organisation by building and strengthening relations with clients and overseeing the development of necessary corporate and turnaround plans. The board also revived some of the board structures and committees, which enabled it to play its oversight role on the entity.

General corporate Performance

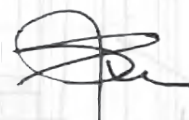
The entity's performance during the reporting period continued to decline, continuing the trend that started a few years ago. Some of the reasons for this include uncertainty over the future of the entity and the resultant departure of key technical staff, low staff morale and a heavy workload on staff who had to take over extra work previously done by those who had left and could not be replaced due to the moratorium on staff appointments. The moratorium on staff appointments also put the completion of the organisational development process on hold, which was part of the 2017 turnaround plan. Consequently, the entity was left without sufficient human resources to carry out the critical functions necessary to deliver on its mandate.

Audit outcomes

Audit outcomes have a significant impact on the brand of any institution and have a bearing on the business allocation decisions by clients. During the reporting period, the entity did not have sufficient resources to address some of the poor audit outcomes of the previous financial year. Units affected include internal audit, Risk and Compliance, and Programme Management Services. Similarly, a lack of investment in critical information technology systems hobbled the storage and transfer of the necessary supporting documents required for the audit process. Resolving some of these issues will enable the entity to resolve some of the audit-related issues by fully implementing its audit action plan.

Future Prospects: the challenges faced by the entity are not insurmountable, however. It is my view that a fully capacitated IDT, in whatever shape or form, with sufficient project allocation from both the Shareholder and other clients, can be revived and continue to play its role in the infrastructure delivery value chain of the state.

In conclusion, I thank the Executive Authority, Deputy Minister and Director-General and the Department of Public Works and Infrastructure staff for their support. I would also like to thank the trustees, management team and all staff members for their dedication and hard work during the financial year. Our loyal clients also deserve a word of thanks for their continued support and confidence in us. I hope the next financial year will be better for the entity.



Ms. T Malaka
Acting Chief Executive Officer

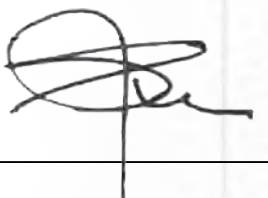
6. Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

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 Annual Financial Statements (Part E) have been prepared in accordance with the SA GAAP, PFMA and the relevant frameworks and guidelines issued by the National Treasury.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the IDT for the financial year ended 31 March 2021.

Yours faithfully



Acting Chief Executive Officer
Ms.T Malaka



Board Chairperson
Ms. Z Hill

7. Strategic Overview

The IDT seeks to deliver quality, accessible social infrastructure that contributes to national priorities in the National Development Plan (NDP). This is also essential to building strong and sustainable communities. The IDT defines and approaches social infrastructure development as an integrated process that entails all the necessary measures, facilities and networks to prepare communities to receive, own, manage and sustain their own development.

The IDT's approach to delivering infrastructure is encapsulated in its mission, vision and values outlined below.

Mission

The IDT is a built environment project management agency which manages and delivers integrated public infrastructure programmes.

Vision

[To be] a commercially driven public sector built environment project management enterprise.

Brand Promise

Assured efficient infrastructure delivery

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 reinforce the continuous interplay

between 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
Thinking like our clients	• Our services are regulatory compliant • Our client's value chain is our concern • We are committed to sustainable development
Continuous active visibility	• We are physically visible on-site • Continued honest reporting
Commercially minded	• We create value for our clients and shareholders • We are cost-conscious in delivering services to our clients • We do more with less
Competitive and collaborative	• We believe in working together with like-minded business partners, including our competitors, for the good of our clients
Innovative and proactive	• We constantly anticipate different scenarios and find solutions for problems before they escalate
Zero tolerance for corruption	• We conduct our business in a lawful, honest, ethical and corrupt-free manner • We mean what we say and say what we mean

8. LEGISLATIVE AND OTHER MANDATES

The IDT was established as a grant-making civil society organisation in 1990. However, in 1997, the entity was re-constituted as a development agency and public entity 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." The organisation was integrated into the public service delivery system in 1999 with the promulgation of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended, and listed as a Schedule 2 Major Public Entity.

The 1997 mandate of the IDT is still in place. The entity reports to Parliament through the Minister of Public Works and Infrastructure, its Shareholder Representative and Executive Authority. The IDT's work contributes to the vision and mandate of the Department of Public Works and Infrastructure, which include the following:

- 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 takes a special interest in policy positions relevant to its mandate.

Currently, the most appropriate policy directive is the National Development Plan (NDP): Vision 2030, the country's blueprint for national development. Its strategy is aligned with the government's Medium Term Strategic Framework (MTSF) and the seven priorities of the sixth administration. As part of this, the entity's goal is to deliver quality, accessible social infrastructure that contributes to the realisation of national priorities. As part of realising these goals, the entity will focus on the realisation of four outcomes, namely:

- Increased access to quality social infrastructure
- A transformed built environment
- Decent employment through public employment programmes
- A financially sustainable entity

Furthermore, the IDT takes cognisance of, and actively aligns its work to the National Infrastructure Plan (NIP) and directly contributes to the following Strategic Integrated 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:

¹Structural 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.

- Fostering balanced economic development;
- Unlocking economic opportunities;
- Promoting mineral extraction and beneficiation;
- Promoting job creation; and

Facilitating the integration of human settlements and economic development.

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

- 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).

9. ORGANISATIONAL STRUCTURE (NAMES OF INCUMBENTS)

The structure presented in Figure1 reflects top management structure positions as at 31 March 2021

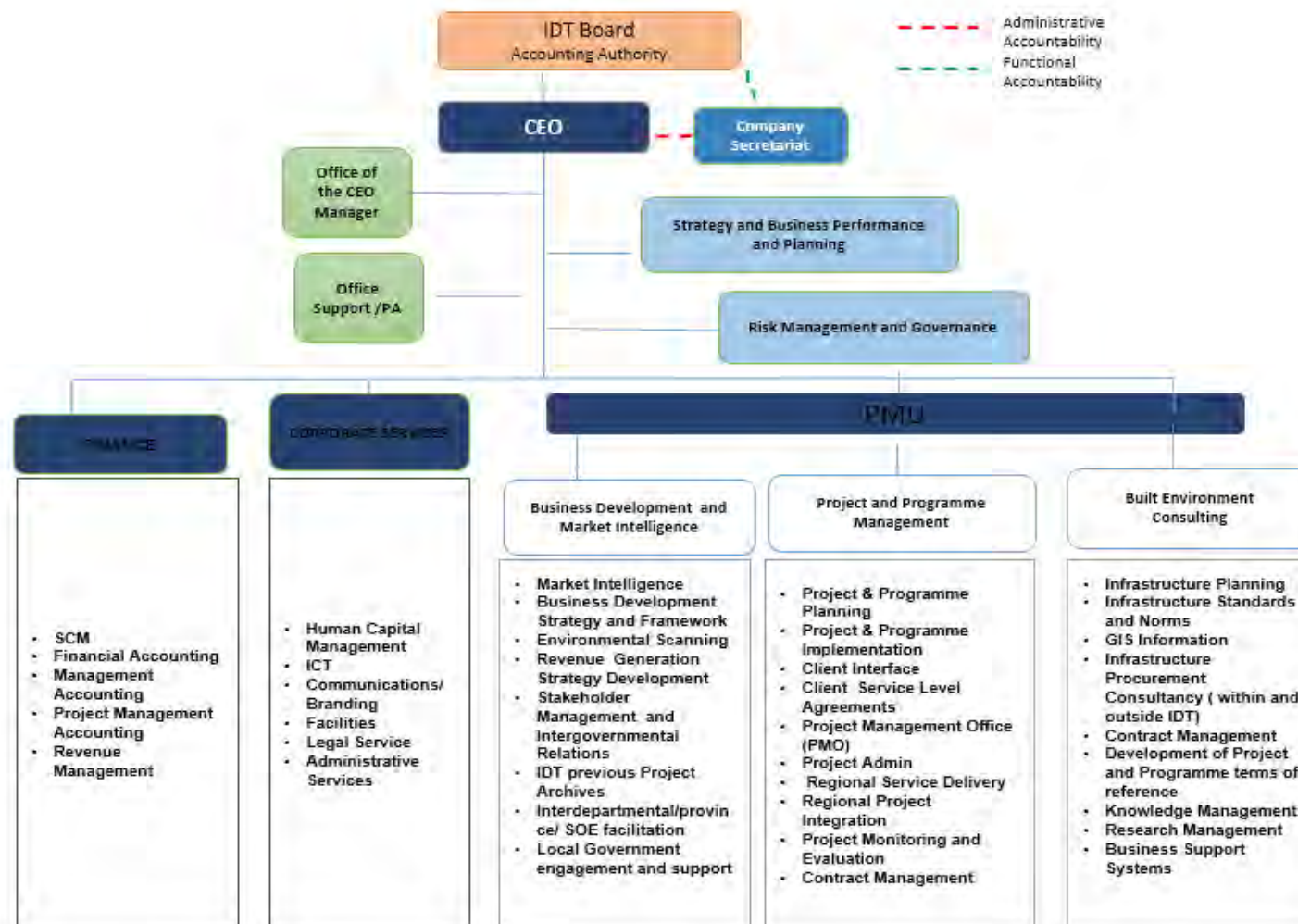


Figure 1: Macro Structure

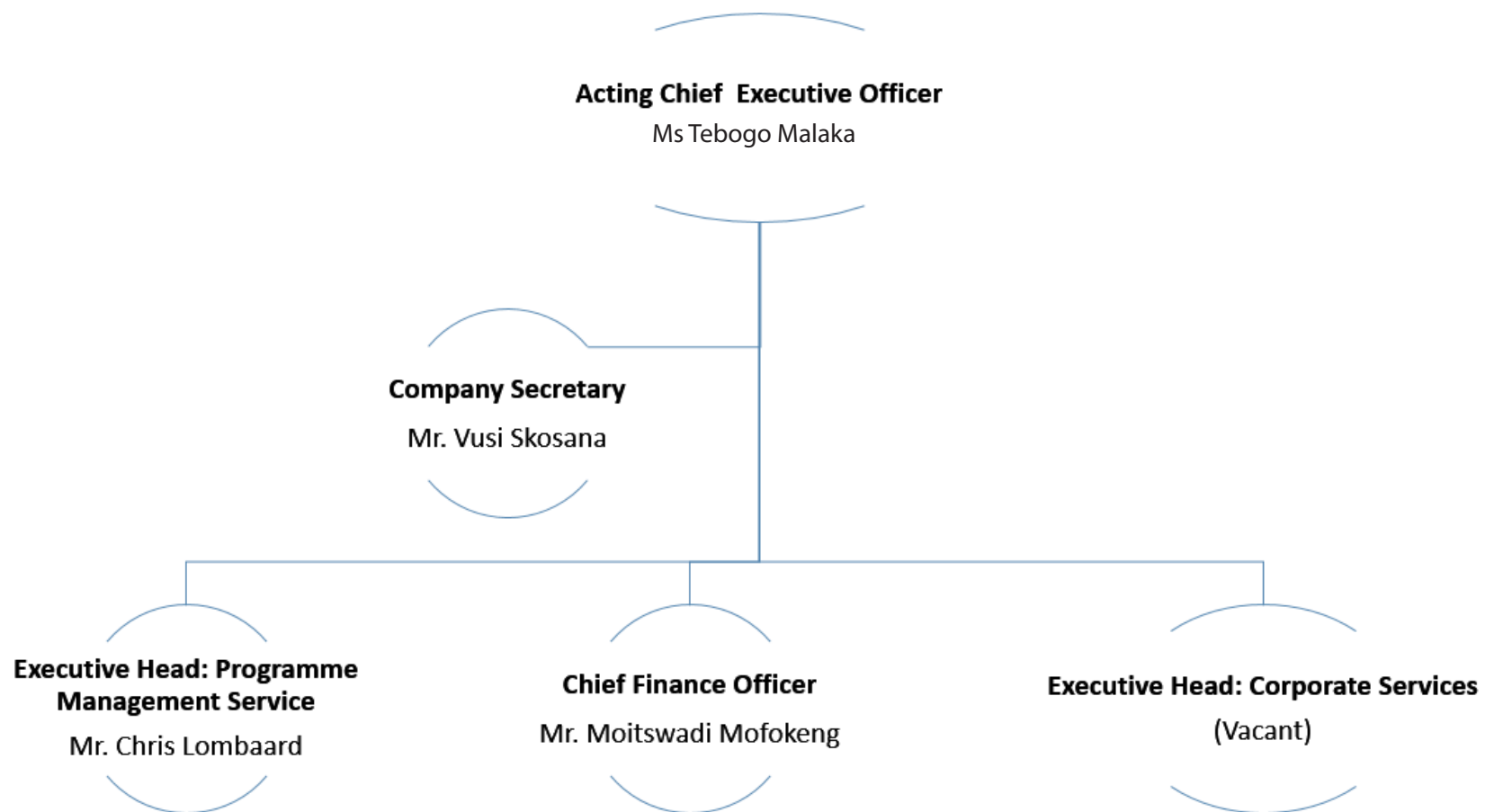


Figure 2: Top Management Structure



PART B

PERFORMANCE INFORMATION



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 83** 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 promote economic growth and development, slow economic growth, budget deficits and a rise in public debt define South Africa's fiscal footprint. A decline in tax revenue aptly represents this amid increasing demand for spending on programmes such as social protection measures, which makes it even harder for government to spend on infrastructure, in real terms.

The decline in government revenue experienced in the past few years and higher levels of public debt gradually limit the scope and ability of the 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 business 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 2020/21 financial year: -

Low levels of economic growth: Low levels of investment along with the decline in tax revenue and sovereign rating downgrades have conspired to stifle domestic economic growth, leading to high rates of unemployment, poverty and inequality. National Treasury estimates of economic growth in the MTEF suggest that as a result of the covid-19 pandemic, the economy contracted by 7.8 per cent in 2020 and will grow by a modest 3.3 per cent in 2021, 1.7 per cent in 2022 and 1. per cent in 2023. The economic reconstruction and recovery plan announced by the president in

2. National Treasury, Medium Term Budget Policy statement, October 2020, <http://www.treasury.gov.za/documents/mtbps/2020/>

October 2020 puts job creation, especially in new infrastructure investment and large-scale public employment programmes, at the centre of efforts to revive the economy. According to the President, government seeks to “unlock more than R1 trillion in infrastructure investment over the next four years. Infrastructure has immense potential to stimulate investment and growth, develop other economic sectors, and create sustainable employment directly and indirectly.”

Construction sector under significant pressure: The construction industry continued to experience considerable pressure during the reporting period. The South African construction industry contributes 3.5 % to the country's Gross Domestic Product (GDP) and employs about 1.4 million individuals. However, without the high levels of public expenditure last seen around 2010, the construction industry has declined. The decline is caused mainly by the decrease in infrastructure spending and has led to massive job losses in the industry. And as more than 259 000 construction jobs were lost during the hard lockdown.

Declining public expenditure allocation to social infrastructure: Although the social infrastructure backlog remains high, the public sector allocation to social infrastructure has increased at a decreasing rate over the past financial years. Data covering the entire public sector shows an 8,2% fall in infrastructure investment in 2018. The general fall in infrastructure investment mirrors the long-term stagnation in the construction industry. Construction experienced its eighth consecutive quarter of economic decline in the second quarter of 2020, according to the latest gross domestic product (GDP) figures. These reductions in infrastructure investment 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 during the reporting period.

Impact of the Covid-19 pandemic: Covid-19 has had a negative effect on the

number of school infrastructure targets, leading to the revision of such targets. However, despite the adjustment, the performance was still low. Consider, for example, that the Department of Basic Education had targeted building 31 school facilities in the 2020/21 financial year. The target was adjusted to 24 schools, but only two (2) were constructed in the first six months of the 2020/21 financial year. Similar performance levels were noted concerning the provision of water and sanitation to schools in the same financial year.

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, which is occasioned by demographic shifts resulting in a higher rate 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, the design of programmes that enhance the role of small contractors and the participation of women, youth and people with disabilities.
- Service delivery protests and on-site project-specific community protests escalating the risks of disruptions to construction projects; and
- The challenge of ensuring that old and new social infrastructure meets the norms and standards to create a conducive service delivery environment for all.

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

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

- Programme spend to the value of R 1.8597 billion
- Creating 35 937 work opportunities through the Expanded Public Works Programme Non-State Sector (EPWP-NSS) initiative
- Creating 851 work opportunities through the IDT portfolio.
- Spending R 678 993 Million (40%) of total programme spend) on BBBEE compliant entities as weighted BBBEE spend
- Recruiting and placing 52 participants (100%) into the Contractor Development Programme (58 per cent of whom are women contractors.
- Completing 100% of projects within budget while 26% were completed on time.
- Completed 10 new or replacement facilities and 25 non-greenfield facilities during the reporting period

These efforts contribute to realising goals such as increasing access to social infrastructure, transforming the built environment and creating work opportunities through public employment programmes.

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 most notable

feature of the organisational environment during the reporting period was the planned dissolution of the IDT. Widely reported in the media, the announcement set in motion several events which threatened to derail the implementation of the entity's mandate:

- The moratorium on allocating new projects to the IDT forced clients to take their projects elsewhere.
- Some clients withdrew their initial project allocations to the entity amid concerns over its future and lack of capacity following the resignation of technical staff.
- Some key staff members resigned and were not replaced due to the moratorium on the appointment of new staff, creating huge workloads on those who remained.
- Trustees resigned, setting in motion a governance crisis which was only resolved with the appointment of new trustees in the third quarter of the financial year. The cumulative impact of these challenges was a decline in the entity's performance, as reflected in this report.

2.2.1 Organisational Turnaround and Restructuring

The IDT has experienced a prolonged transformation process, adversely affecting its operations and human resource capacity profile. The entity had 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 the Information Technology Infrastructure upgrade and Finance and Project Management systems development and upgrades (Enterprise Resource Management). The plan was also premised on successfully implementing 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. The Department of Public Works and Infrastructure instructed the entity to put on hold the process of implementing the revised organisational structure, which supports the execution of the turnaround plan, pending further clarity on the restructuring and rescheduling of the entity.

At the beginning of the 2020/21 financial year, the Executive Authority announced plans to dissolve the IDT by the end of the year (31 March 2021). To effect this, the Minister appointed a task team to develop an IDT Exit Strategy. The Exit Strategy implementation plan was duly submitted to the Shareholder in June 2020.

With plans of dissolution having gathered momentum, the Executive Authority informed parliament of her intention to withdraw the IDT's five-year Strategic Plan and Annual performance plan 2020/21 from tabling. The two documents were duly withdrawn and not tabled as planned in May 2020, leaving the entity without a framework for reporting on corporate performance for the first six months of the year until the Shareholder requested the entity to start submitting quarterly corporate performance reports. As such, the entity selected a few targets to report on until the end of the financial year, when dissolution would come into effect.

Plans to dissolve the entity put on hold the implementation of some of the key elements of the new strategic intent through which the entity intended to operate with a commercial mindset. According to this new strategic intent: *the IDT is to remain state-owned - but operate with a commercial mindset, producing a surplus of 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 most notable outcome of the Exit strategy exercise was the realisation that IDT closing the IDT would be too costly, especially given the size of its portfolio.

2.2.2 Financial State of Health

During the year under review, the IDT continued to experience cash flow challenges associated with ongoing delays in payments from clients and a low revenue base. This, in turn, significantly impacted 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, making it difficult to comply with the 30-day payment turnaround time for compliant invoices. Furthermore, delays in payment attracted litigation.

Similarly, the declaration of a national state of disaster due to covid-19 resulted in work stoppages in the construction industry, which in turn affected the revenue collection rate. As a result, management fees collected during the reporting period were 47 percent below budget. Although the decline in revenue is consistent with previous periods, the situation was made worse by the lull in construction activity during the national state of disaster. The main contributing factor to low management fees is the declining level of programme expenditure, which was also below budget. This continued to put the financial health of the organisation under pressure. As a result, the entity required shareholder funding to meet its operational expenses.

2.2.3 Audit Outcomes and Action Plan

The entity received a disclaimer for the 2020/21 financial year. The basis for the negative audit outcome was mainly due to the following challenges, namely:

- Non-submission of supporting evidence for several transactions undertaken as required by the Auditor-General South Africa (AGSA)
- Delays in submitting the information required by AGSA within the stipulated timeframes as a result of lack of capacity, more staff working remotely as a result of the lockdown related to Covid-19, making it impossible for staff to access the IDT systems containing relevant information,
- Capacity constraints caused by the departure of several staff members due to uncertainty over the IDT's future and their non-replacement due to the moratorium on staff appointments. As a result, the entity lost several staff critical to implementing its audit action plan.

2.2.4 Business Portfolio

The IDT experience a decline in its business portfolio. This is directly related to funding constraints experienced by many departments as a result of budget cuts. Reduction in client departments' budgetary allocations negatively affects the size of the IDT business portfolio. In some instances, clients have either significantly reduced their annual allocations to the IDT or not allocated any projects to the 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.

2.2.5 Stakeholder Engagement

The entity made a concerted effort to improve stakeholder relations to secure long-term sustainability. Some notable efforts include mending broken relations with old clients and building new ties with new clients, especially in regions where the IDT had a limited footprint because of a challenging operating environment occasioned by an unfavourable political climate.

However, the pronouncement that the Minister intends to dissolve the entity by the end of the 2020/21 financial year put all these efforts and progress in jeopardy. Some clients, driven to despair by news of the entity's impending closure, expressed regret that the agile procurement process, which is one of the key differentiators for the entity, would be lost and, consequently, affect the delivery rate of their projects.

Despite all these challenges, stakeholder relations remain a crucial lever the entity needs to continue to work with clients on issues such as programme and project support in planning, setting standards and advocacy to stay relevant in the infrastructure delivery value chain.

2.2.6 Litigation

The construction industry is highly litigious. As a result, the IDT has several legal claims for and against it emanating from matters related to programme delivery. During the reporting period, the IDT had 98 litigation matters. Sixteen (16) of the claims were claims by the IDT, while fifty-seven (57) were claims against the IDT and twenty-five (25) were dormant matters. 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, several client departments continued to delay the transfer of programme funds to the IDT. This remained a primary concern during the period under review due to the risk of litigation, damage to the reputation and the late payment of service providers. Several client departments have adopted the practice of requiring the service providers' invoices to be submitted directly to them before transferring funds. This negatively impacted the payment turn-around times, affecting the cash flow of the service providers, especially small, emerging contractors who can hardly afford delays in payment.

Measures to facilitate the 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, continued to be implemented during the reporting period.

2.2.7 Corporate Governance Challenges

Following the decision to close down the entity by the end of the reporting period, members of the four-member interim board appointed in April 2018 resigned amid differences over the entity's future. This was followed by the resignation of independent members of the Audit and Risk Committee in July 2020. This created a vacuum in governance until the appointment in October 2020 of six board members whose term had been abruptly terminated in March 2018. The term of the reappointed trustees was scheduled to end in March 2021 but was extended by a month until April 2021. Two other new trustees were appointed for a four-year term in March 2021, bringing the total number of trustees to eight. The process of selecting new members of the Board of Trustees was underway by the end of March 2021, and a fully-fledged Board of Trustees was expected to come into office in the first quarter of the 2021/22 financial year.

2.2.8 Key Policy Developments and Legislative Changes

The most notable policy development, which significantly affected the entity's operations during the reporting period, was the decision of the Executive Authority to close the entity by the end of the 2020/21 financial year. Consequently, some clients either withdrew or could not allocate projects to the entity amid concerns over the IDT's impending closure. The size of the portfolio and programme expenditure also declined.

Proposals on improving 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.

Another key milestone of the reporting period was the development of a sustainability plan that provided a detailed analysis of the state of the entity, performance trends, current projects and the implications of these variables on the future of the entity. The analysis revealed, among others, the following:

- IDT operations cannot be reasonably brought to a close by 31 March 2021, and more time will be needed to conclude all the entity's current projects
- Other implementing agents or sector departments would be reluctant to inherit projects that are already in planning and construction stages because of inherent contractual and other risks involved in doing so;
- Work on projects between stages 1 and 4 (planning to procurement) had stopped entirely since June 2020 as per the instruction of the Minister, resulting in the collapse of the project pipeline for the Medium-Term Expenditure Framework period;
- There is a potential for the IDT to generate enough cash flow from its current and future projects and, in so doing, progress towards self-

sustaining beyond the end of the 2020/21 financial year

- There are huge risks associated with the dissolution of the IDT, mainly associated with the transfer / ceding of projects to another entity for implementation.

In addition, the Exit Strategy implementation plan also revealed a vast potential for the IDT to generate the requisite cash flow from its current and future projects.

Similarly, consultation with stakeholders on the future of the IDT led to the reversal of the decision to close the entity down. Cabinet instructed the Shareholder to reconfigure the entity into an appropriate shape and form. The reconfiguration process was scheduled to start in the 2021/22 financial year.

2.3 Progress Towards the Achievement Institutional and Outcomes

As part of the infrastructure value chain of the state, the IDT takes a special interest in policy positions relevant to its mandate. The most pertinent policy directives are the seven priorities of the sixth administration that are part of the National Development Plan (NDP). To contribute to the realisation of these priorities, the IDT, like other government institutions, has developed its Impact Statement and Outcomes.

2.3.1 IDT Impact Statement

Quality, accessible social infrastructure that contributes to National Priorities.

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 and municipalities.

2.3.2 Outcomes

As part of contributing to the realisation of national priorities, the IDT focuses on the following outcomes:

- Increased access to quality social infrastructure
- A transformed built environment
- Decent employment through public employment programmes
- A financially sustainable entity

The IDT has two programmes: Programme 1, Integrated Service Delivery and Programme 2, Administration. Each programme has its objectives and targets arranged around the four outcomes.

2.3.3 Programme 1: Integrated Service Delivery

Purpose: to provide 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 to strengthen job creation efforts.

2.3.4 Programme 2: An Effective and Efficient Administration

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

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

The table below shows linkages between the IDT's strategic outcomes-oriented goals and its contribution to the NDP outcomes.

Figure 3: IDT's Contribution and Alignment to National Development's (NDP's) Priority Outcome Areas

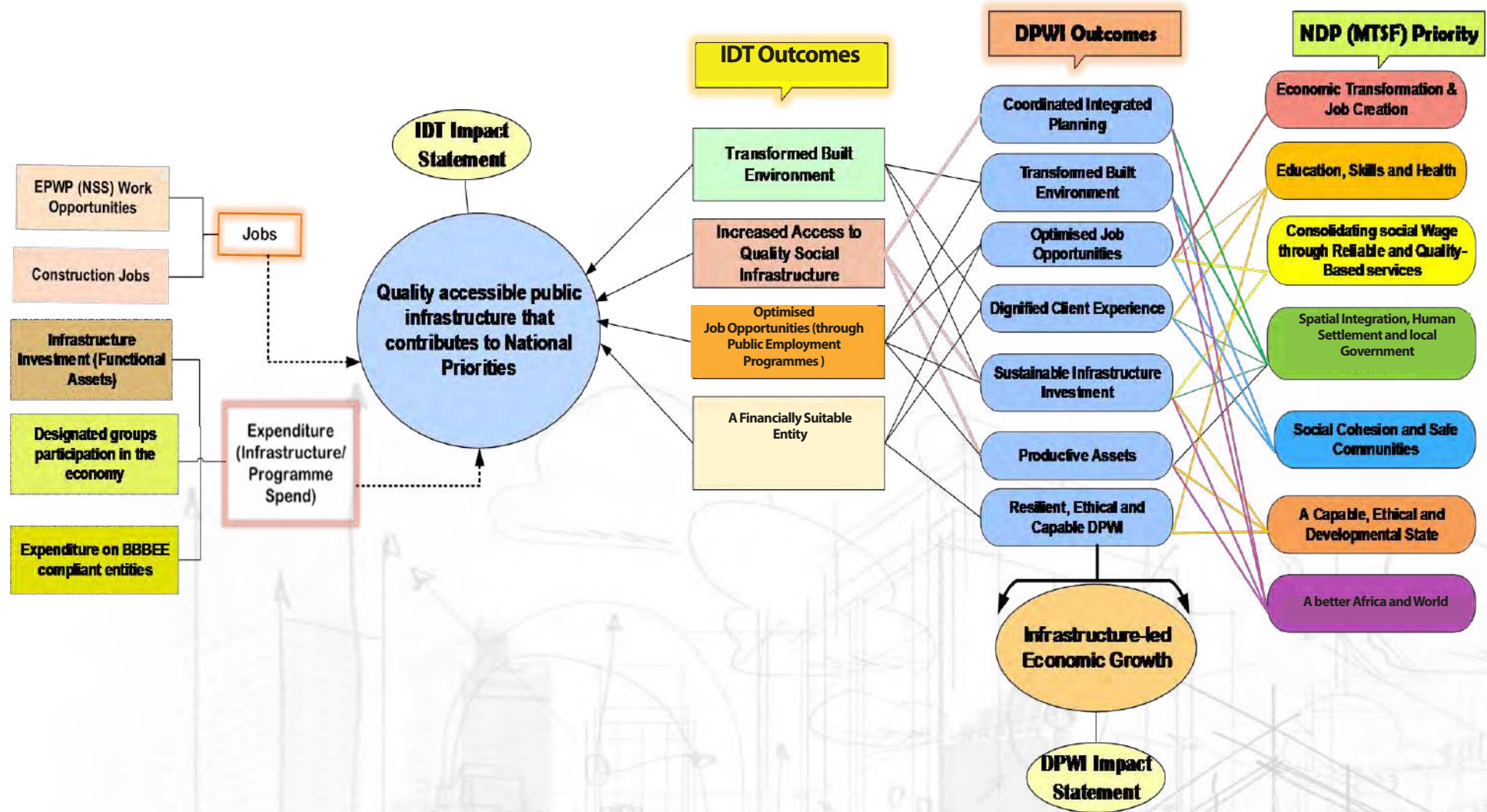


Figure 3: Alignment of IDT Goals with National Priorities

2.4 Institutional Programme Performance Information

The original Annual Performance Plan (APP) 2020/21, which was based on the assumption that the IDT would start operating with a commercial mindset, was revised, and the number of targets revised and reduced to 13 following the Executive Authority's announcement that the IDT would be dissolved by the end of the financial year. However, despite the revisions, some of the key critical success factors, which informed the original planning process, remain relevant and are elaborated on below:

- i) Certainty of mandate and long-term sustainability – the IDT retains its mandate and status as a programme implementing agent and an entity of government.
- ii) Corporate form and identity – the IDT will remain a Schedule 2 entity for at least the next three years, irrespective of the proposal for a new corporate form (and name). Changes in corporate form may be introduced during this period. However, this will not significantly affect or alter the entity's role as a programme implementing agent for government.
- iii) Going concern Status – the IDT will remain a going concern for the next three years.
- iv) Business Portfolio – The IDT will attract sufficient value of business portfolio year on year. Executing a secured programme portfolio will enable the entity to break even financially and generate an operating surplus.
- v) Delivery Capacity – the IDT will have (source) sufficient capacity and resources (people and finances) to deliver on its mandate.
- vi) Enabling Technology - the IDT will timeously resource itself with appropriate enabling technology to efficiently deliver on its mandate.
- vii) Business processes – The organisation's design, structure and processes are fit for purpose (processes institutionalised and diligently implemented).
- viii) Organisational culture – The IDT has developed and implemented an appropriate organisational culture that is client-centric and conducive to achieving excellent results (high-performance culture).
- ix) Quality of personnel – The IDT can attract and retain the right and required skills when and where they are needed.
- x) The entity will proceed with the implementation of its revised operating model
- xi) 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.

- xii) The entity will have sufficient resources to manage infrastructure procurement to ensure that projects are fast-tracked to on-site implementation to contribute toward the entity's cash position and manage the cost of infrastructure delivery.
- xiii) The plan assumed that the turnaround measures that required funding would be adequately resourced. It also assumed that turnaround measures which required no funding, such as, the implementation of the revised contracting model; implementation of cost containment measures; billing and revenue collection strategy; etc., would be effective in reversing financial and programme performance decline.

The entity made progress in implementing less resource-intensive turnaround measures during the period under review. These include implementing the new contracting model, intensifying cost containment measures through centralising critical expenditure items, automation of billing and aggressive revenue collection mechanisms. Although these measures contributed to improving the entity's financial performance, they did not significantly improve programme delivery activity. The onset of the COVID-19 pandemic during the reporting period further exacerbated the organisation's vulnerability to insolvency due to drastically scaled-down operations. As at the end of the reporting period, the entity required immediate capital injection in order to meet its financial obligation

2.4.1 Performance Overview

In the 2020/21 financial year, the IDT had 13 targets. Nine (9) of these targets were under Programme 1 and four (4) under Programme 2. The entity achieved five out of 13 targets during the reporting period. This represents a 38.5% percent performance level. Seven targets were partially achieved. This represents a 54% performance level.

Table 2: Corporate Performance Rating

Performance Scores	Relative Performance Level in percent terms	Strategic Objective 1	Strategic Objective 2	Total	Performance description
1	0-50	1	0	1	Target not achieved
2	51-85	4	3	6	Target Partially achieved
3	86-115	3	1	5	Target Achieved
4	116-130	0	0	0	Target exceeded
5	131+	1	0	1	Target over achieved
Total		9	4	13	

In 2020/21, the entity spent R 1, 85976 billion on programme delivery. The portfolio spend per programme category is indicated in figure 4.

2.4.2 Programme 1: Integrated Service Delivery

The integrated service delivery programme aims to ensure the provision of efficient, effective and integrated public social infrastructure delivery management services to satisfy client requirements and positively impact government development agenda. The entity recorded a decline in programme performance during the year under review compared to the preceding years. Programme expenditure of R1.8597 billion recorded during the period under review represents a decline of 26.3 percent compared to the previous financial year (R2.525bn). The reduction in expenditure on programme portfolio due to the withdrawal of projects and project budget scaling down by client departments, capacity constraints, and the delays in the transfer of funds continued to undermine efforts to improve the entity's performance.

During the reporting period, the entity achieved four (4) out of nine (9) targets under programme 1. This represents a 44 percent performance level. The following summary reflects the entity's performance under Programme 1: Integrated Service Delivery.

- Percentage of BBBEE expenditure (R678,993 million) stood at 37 percent against a target of 70 percent expenditure
- Ninety four (94%) percent of all facilities (the targeted 70%) completed during the 2020/21 financial year were completed within budget, whilst 26% were completed on time.

- A total of 35 937 work opportunities were created against a target of 35 937 work opportunities.
- A total of 52 designated contractors remain on the database of contractors recruited to participate in the Contractor Development Programme (CDP) against a revised target of 52 contractors. As at the end of the reporting period, none of the contractors selected to participate in the programme was allocated projects to implement

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

- Ten (10) new facilities were completed during the period under review against a target of seventeen (17) facilities.
- Twenty-five (25) facilities were either upgraded, renovated or rehabilitated against a target of forty-five (45) facilities.
- Twenty six percent of projects were completed on time against the targeted 40 percent
- A further 851 work opportunities were created through the IDT programme portfolio against a target of 2 599.

2.4.3 Programme 2: Administration

The following reflects performance under the Programme: Administration, during the period under review: -

- The entity achieved R 1.8597 billion in the total value of programme spend against a revised target of R 2.122 billion for the 2020/21 financial year. This represents a performance level of 88 percent

Annual management fee collection ratio stood at 73% against a target of 80 percent. This represents a 91 percent performance level.

The following targets were partially achieved:

- Seventy-seven percent (77%) of all compliant overheads invoices were paid within 30 days of receipt against a target of 100 percent.
- Fifty-three percent (53%) of all compliant programme invoices to R874, 049 million were paid within 30 days of receipt against a target of 100 percent. Failure to pay 47% of compliant programme invoices amounting to R 874 049 million within 30 days is attributable to the discontinued practice of tranche payments by client Departments and the adoption of payment per service provider's tax invoice resulting in voluminous claims administration and extended delays as a consequence.

Table 3: Performance Summary (Programme 1)

OUTPUT INDICATORS	Annual Performance 2021				REASON FOR VARIANCE
	TARGET	ACTUAL	VARIANCE	PERFORMANCE LEVEL	
Outcomes #1: Increased access to quality social infrastructure					
Number of new or replacement facilities that comply with infrastructure norms completed	17	10	(7)	59%	Covid-19 lockdown impact. Many projects placed on hold by clients due to budget constraints & reduced capacity to implement and monitor projects
Number of non-greenfield social infrastructure facilities that comply with infrastructure norms completed	45	25	(20)	56%	
Percentage of projects completed on time	40%	26%	(14%)	65%	
Percentage of projects completed within budget	70%	94%	24%	134%	
Outcomes #2: A transformed built environment					
Percentage of weighted B-BBEE Spend (Based on total programme spend)	70%	37%	33%	52%	Expired BBBEE certificates of suppliers that qualify for expenditure under the target not counted.
Number of contractors from designated groups participating in the Contractor Development Programme(CDP)	52	52	0	100%	The process to procure additional contractors was completed in March 2020 (Bid Committee approval). However, final appointments could not be finalised due to the uncertainty about the IDT’s future
Percentage of women participating in Contractor Development Programme	45%	52%	7%	115%	Higher qualifying response to the tender advert by women contractors.
Outcomes #3: Decent employment through public (infrastructure) programmes					
Number of construction work opportunities created (IDT Portfolio)	2 599	851	(1 748)	33%	Ministerial Instruction to stop projects in levels 1 to 4 and the slowdown in construction activity due to Covid-19 lockdown

OUTPUT INDICATORS	Annual Performance 2021				REASON FOR VARIANCE
	TARGET	ACTUAL	VARIANCE	PERFORMANCE LEVEL	
Number of work opportunities created through EPWP (EPWP-NSS excluding IDT programme portfolio)	35 937	35 937	0	100%	EPWP-NSS programme was excluded from the reviewed targets in the absence of concluded MOA.
Strategies to overcome under-performance					
Target	Strategy				
Number of new or replacement facilities that comply with infrastructure norms 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	Project implementation schedules were revised, considering the lost time due to the national lockdown. Prioritise approval of variation orders and extension of time requests.				
Percentage of projects completed within budget					
Percentage of weighted B-BBEE Spend (Based on total programme spend)	Follow up suppliers and verification of suppliers' BBBEE certificates				
Number of contractors from designated groups participating in the Contractor Development Programme(CDP)	Consult clients to allocate projects for the Programme (CDP)				
Number of construction work opportunities created (IDT Portfolio)	Monitor implementation of projects following variation order and extension of time approvals to ensure the progressive realisation of project targets (in particular work opportunities)				

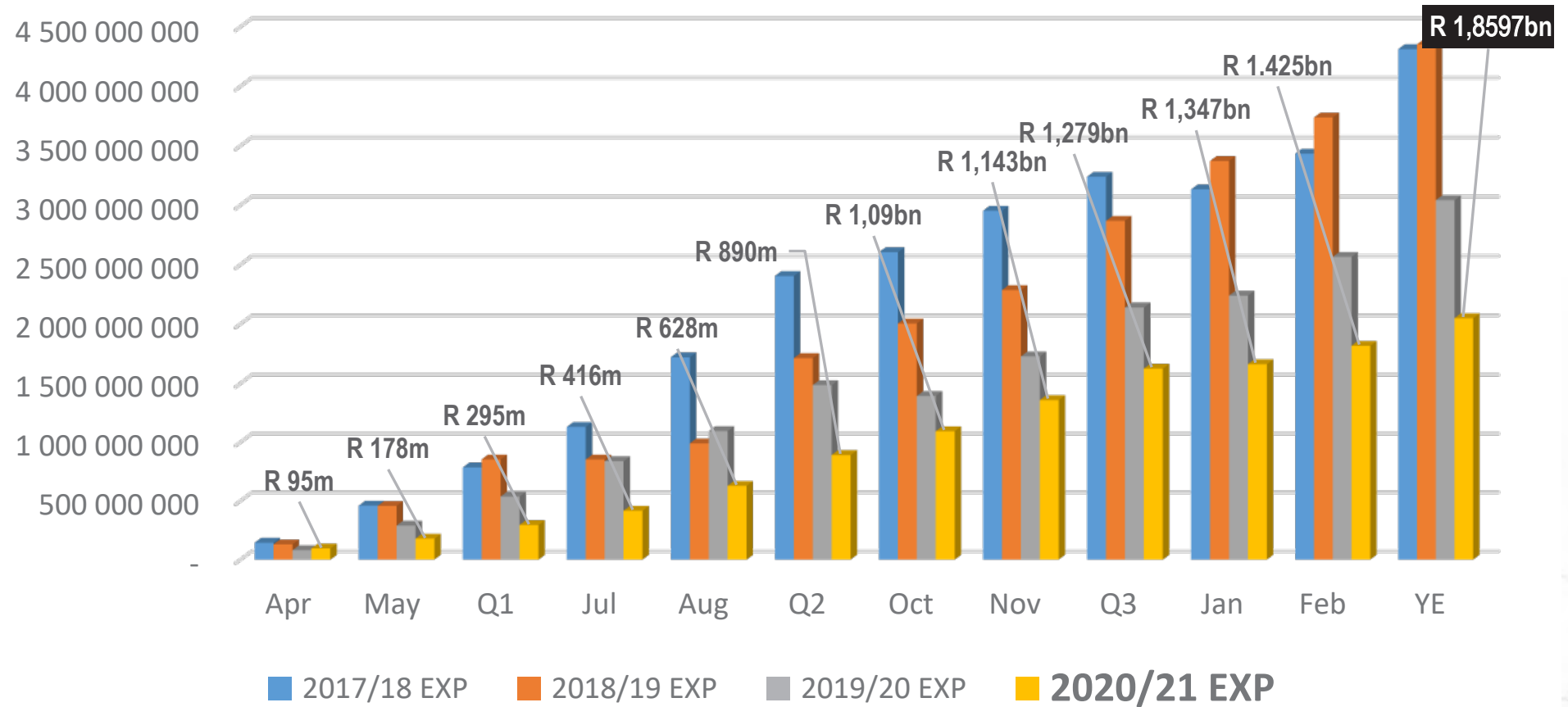


Figure 4: Expenditure Trends

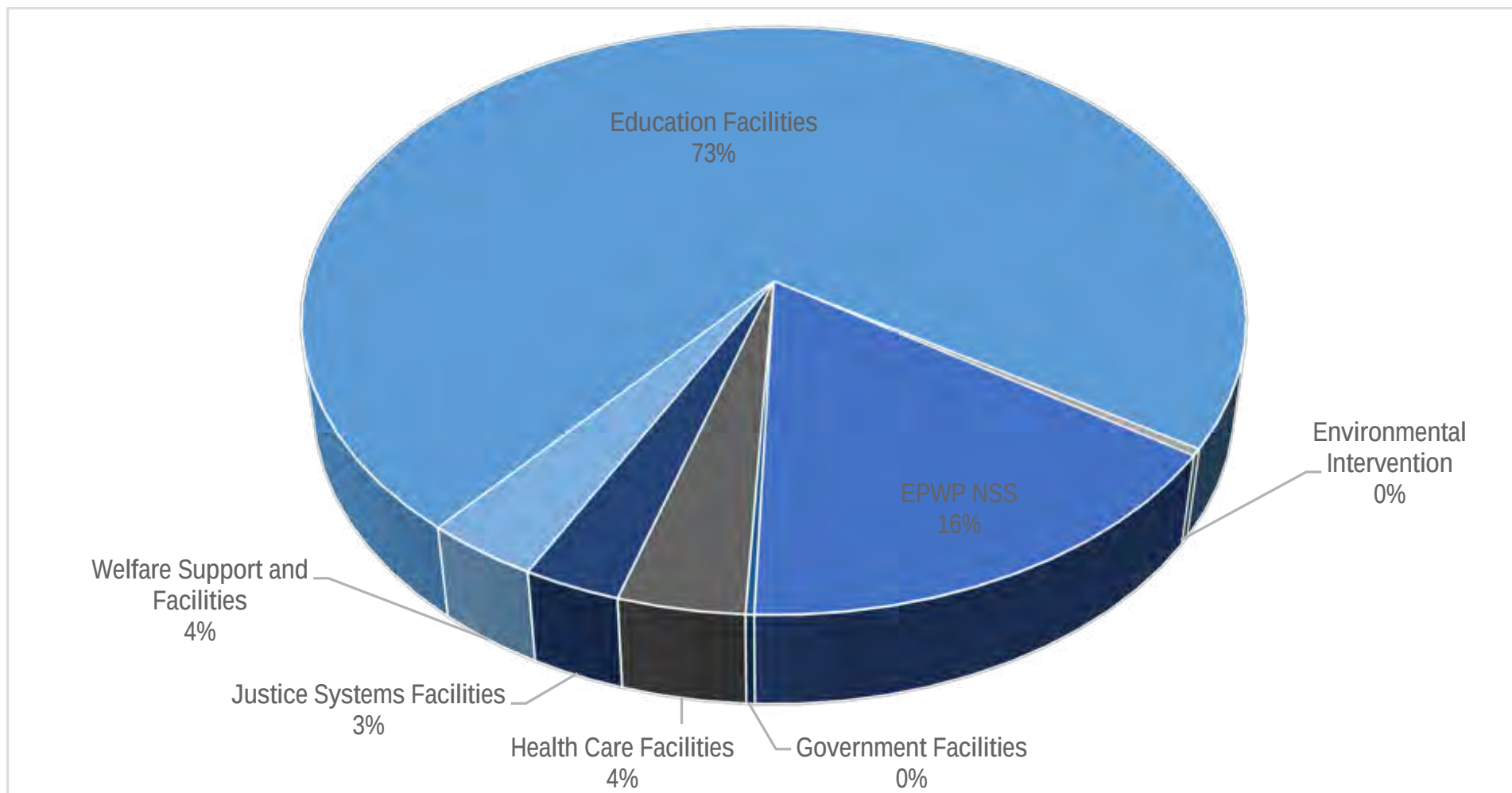


Figure 5: Portfolio spend per programme.

Table 4: Performance Summary (Programme 2)

OUTPUT INDICATORS	Annual Performance 2021				REASON FOR VARIANCE
	TARGET	ACTUAL	VARIANCE	PERFORMANCE LEVEL	
Outcomes #4: A financially sustainable entity					
Value of programme spend	R 2 121 953 522	R 1 859 678 000	(262 275 522)	88%	Clients departments honoured their obligations to pay suppliers and the IDT.
Management fee collection ratio	80 % annual management fee collection ratio	73%	(7%)	91%	Collection is dependent on the availability of programme funds from client departments.
Percentage of compliant programme invoices paid within 30 days of receipt	100% compliant programme invoices paid within 30 days	53%	(47%)	53%	Delays in transfer of funds from clients. The need for compliant invoices to be processed by clients (transfer of programme funds to IDT based on received invoices
Percentage of compliant overheads invoices paid within 30 days of receipt	100% compliant overheads invoices paid within 30 days	77%	(23%)	77%	The organisation experienced liquidity challenges which affected the payment of service providers. Insufficient funds available due to timing of grant transfers as well as low level of debtor collection affecting the poor liquidity position
Strategies to overcome under-performance					
Target	Strategy				

OUTPUT INDICATORS	Annual Performance 2021				REASON FOR VARIANCE
	TARGET	ACTUAL	VARIANCE	PERFORMANCE LEVEL	
Percentage of compliant programme invoices paid within 30 days of receipt					The entity continues to engage client departments on the transfer and release of programme funds
Percentage of compliant overheads invoices paid within 30 days of receipt					



2.4.4 Institutional Responses to the COVID-19 Pandemic

Table 5 hereunder presents the entity's expenditure on EPWP in response to the covid 19 pandemic.

Table 5: Institutional Responses to the COVID-19 Pandemic

Programme / sub-programme	Intervention	Geographic location/ province/ district/ local municipality where applicable	No. of beneficiaries (where possible)	Disaggregation of beneficiaries (where possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to outputs in the APP (where applicable)	Immediate outcomes
EPWP NSS NPO Programme	COVID-19 Response Project	Eastern Cape	5508		R24 296 537,32	R23 294 780,51	35 937 EPWP Work opportunities	
		Free State	2676		R12 033 728,51	R11 701 985,04		
		Gauteng	6081		R25 479 339,69	R23 989 981,04		
		KwaZulu-Natal	5857		R28 976 320,62	R27 258 203,83		
		Limpopo	4353		R15 254 878,06	R14 054 416,01		
		Mpumalanga	2125		R10 341 339,34	R9 807 992,85		
		Northern Cape	1279		R5 011 715,99	R4 672 448,91		
		North West	2986		R13 847 670,49	R13 601 727,69		
		Western Cape	3455		R16 133 798,40	R13 547 256,03		
		National (PPE)			R18 583 939,00	R11 725 400,00		
Totals			34320		R169 959 267,41	R153 654 191,91		
IDT Management Fee				R11 733 250,00	R11 733 250,00			
DPWI refund						R40 311 015,00		
Total Expenditure						R205 698 456,91		
Funds Received						R277 041 321,00		
Balance						R71 342 864,09		
Interest (not returned to the client)						R13 515,84		
Overall Balance						R71 356 379,93		

2.4.5 Linking Performance with budgets

Table 6 hereunder links performance with budget and reported expenditure.

Table 6: Linking performance with budgets

Programme/ activity/ objective	2019/20			2020/21		
	Budget R'000	Actual Expenditure R'000	Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	Under Expenditure R'000
Administration	386.618	270 037	116.581	271 835	245 011	26,824
Programme Expenditure	4 770 000	3 323 055.92	1 727 677.12	2 634 000	1 859 678	774 322

Administration: The organisation has underspent its budget for the two years being reported. The largest cost driver is employee cost. The organisation has not filled positions or employed additional human resources over these two years due to the moratorium on recruitment placed by the Department of Public Works and Infrastructure.

Travel costs are also below the budgeted levels as most travel is related to programme implementation, which is lower than in previous financial years.

The organisation has also implemented cost containment measures as per National Treasury guidelines. These items are within the budgeted limits set.

The administrative expenditure is incurred to allow the organisation to operate and carry out its functional mandate of programme infrastructure delivery. Out its functional mandate of programme Infrastructure delivery .The organisation delivered R2.5 billion and R 1.690 billion of programme infrastructure expenditure for the 2020 and 2021 financial years.

Programme Expenditure: Delays in the EPWP NSS programme contributed to the target not being achieved. Non-transfer and/or delays of programme funds by client department for the 2019/20 financial year.

Impact of COVID 19 during the beginning of the financial year affected the overall expenditure of the programme for the reporting period.

2.4.6 Revenue collection

The table hereunder presents the entity's revenue collection performance for the period under review.

Table 7: Revenue collection

Source of revenue	2019/20			2020/21		
	Estimate	Actual Amount collected	Over/ under collection	Estimate	Actual Amount collected	Over/ under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Management Fee Revenue	170. 882	150. 560	20. 322	121. 095	103. 526	17. 596

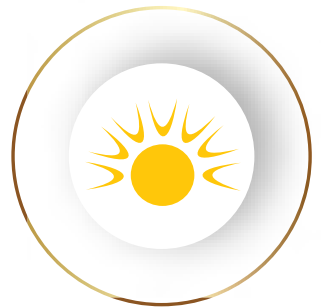
Under collection of management fee revenue is primarily due to insufficient programme bank balances held in trust on behalf of client departments. The client's delay/slowness in transferring funds to the IDT negatively impacts the efficient revenue collection.

Uncollected revenue places severe pressure on the organisation's bank balance and liquidity levels, affecting its ability to pay its staff and suppliers. The organisation has a revenue collection methodology/procedure that ranges from the responsible programme manager to the PMSU Executive and CEO. The final recourse is inter-ministerial intervention.



PART C

GOVERNANCE



1. Introduction

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

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

The Interim Board acknowledged 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. The Interim board resigned during the second quarter of the financial year and was later replaced by other Trustees whose term was scheduled to expire at the end of the financial year.

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

2. Portfolio Committee

During the reporting period, the entity participated in several scheduled sessions of the Department of Public Works and Infrastructure with the Portfolio Committee and the Select Committee on Transport. 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
- 28 October 2020: Minister's presentation on IDT reconfiguration
- 18 November 2020: Presentation of the Annual report by the DPWI and its entities (IDT's Annual Report was not tabled since the audit process was still underway).

3. Executive Authority

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

During the reporting period, the accounting authority not only submitted the necessary statutory reports and strategic documents as detailed herein, but it held essential 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:
 - Midterm report of 2020/21 covering the period 1 April to 30 September 2020 submitted on 20 December 2020
 - Third quarter of 2020/21 covering the period 1 October to 31 December 2020 submitted by the due date of 28 February 2021; and
 - Fourth quarter of 2020/21 covering the period 1 January to 31 March 2021 submitted on 31 May 2021 (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, these documents 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 four (4) members appointed by the Minister of Public Works and Infrastructure, with one of these trustees being largely absent until he resigned in March 2020.

Later in the year, the Minister of Public Works and Infrastructure initiated a process to recall Trustees who appeared on the Letter of Authority as registered IDT Board of Trustees. In total, re-called Trustees comprised (6) six members. Subsequently, the Minister appointed (2) two members in compliance with clause 8.2.1 of the Trust Deed.

4.1 Functioning of the Board

The Interim Board of Trustees fulfilled the Accounting Authority's role in line with 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 and further oversight of the entity's operations and 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, precisely 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 vital for running a successful and sustainable business and providing assurance to all stakeholders.

Table 8 present the composition of the Interim Board

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 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 requests 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 was not done and duly reported to the Board for information.

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 Fatye-la-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
Dr L Zitha	Chairperson	October 2021	Term ended 30 April 2021	MBA, Bond University; Ed. D Columbia University B.Sc., Accounting/Finance, Saint Peters College; Project Management, Executive Education	Audit and Risk. Remuneration Nomination & Governance. Turnaround & Programmes. Board	27/27
Mr S Biniza	Deputy Chairperson	October 2021	Term ended 30 April 2021	University of Witwatersrand, M.Com. in Development Theory and Policy; B.Com. (Hon) in Development Theory and Policy; University of Cape Ton, B.Soc.Sc (PPE) in Politics, Philosophy and Economics	Audit and Risk. Remuneration Nomination & Governance. Turnaround & Programmes. Board	27/27
Ms P Nkomo	Trustee	October 2020	Term ended 30 April 2021	Honours Degree in Economics	Audit and Risk. Remuneration Nomination & Governance. Turnaround & Programmes	26/27

Name	Designation / Role	Appointment date	Resignation date	Qualifications	Committees	Meetings attended
Mr R Patel	Trustee	October 2020	Term ended 30 April 2021	Attorneys - Administrator of Estates - Commissioner of Oaths -Constitutional Litigation Certificate (Unisa) Local and Provincial Government Certificate (Unisa) - Immigration Agent - Land Claims and Environmental Law - Trade Marks and Competition Law - Insolvency and Labour Law Practitioner, Mediation/Arbitration (Accredited) –Certificate in Islamic Law(UKZN), Admitted as an Attorney in Lesotho	Audit and Risk. Remuneration Nomination & Governance. Turnaround & Programmes. Board	27/27
Dr G Kabanyane	Trustee	October 2020	Term ended 30 April 2021	PhD	Audit and Risk. Remuneration Nomination & Governance. Turnaround & Programmes. Board	27/27
Mr Z Zitha	Trustee	October 2020	Term ended 30 April 2021	Accountant registered with the Association of Chartered Certified Accountants (ACCA), Certified Internal Auditor (CIA) He holds a B Com in Accounting Diploma in Financial Management	Audit and Risk. Remuneration Nomination & Governance. Turnaround & Programmes. Board	27/27
Mr M Scutcliffe	Trustee	19 March 2021		University Of Natal, Durban, South Africa, Bachelor of Science (majoring Geography and Psychology), cum laude. Master of Science in Geography, with distinction. Title: Ohio State University, Columbus, Ohio, U.S.A. PhD.	None	None
Mr T Sukazi	Trustee	19 March 2021		University of SA, B.Proc Degree; Certificate in Practical Legal Training, University of Cape Town. Bachelor of Law (LLB) University of SA. Master of Law (LLM) degree in Commercial Law; University of Cape Town.	None	None

Name	Designation / Role	Appointment date	Resignation date	Qualifications	Committees	Meetings attended
Mr. M Burton	Independent Member	23/01/18	26 march 2020	Chartered Accountant - Institute of Life and Pensions Association Certificate (Health Benefits) - Completed Executive Management Programme at GSB - Completed a Project Management Course (including exam and project) - Completed a 2 week course in Strategic Corporate Finance at INSEAD University In Paris (Fontainebleau), France - Completed a 6 month Industrial Engineering Certificate at Cape Province University of Technology (Part -time) (Project	Audit and Risk Committee	13/13
Mr. P Dala	Independent Member	23/01/18	26 March 2020	Doctorate Information Technology (Phd) - Information Security: Privacy Domain University of Pretoria - 2014 to 2017 (Completed 31 July 2017) - Awarded Academic Colour Masters of Information Technology University Of Pretoria - 2007 To 2009 Bachelor of Science (Computer Science) Honours (Cum Laude) University Of Johannesburg - 2004 Bachelor Of Information Technology (Cum Laude) Bond University - 2001 to 200	Audit and Risk Committee	13/13
Mr. P Moiloa	Independent Member	23/01/18	26 March 2020	MBA (IT) Masters ; Bond University in Sandton, South Africa. 11/1992 B.Sc. Hons Computer Science Honours at University of the North in Polokwane	Audit and Risk Committee	12/13

4.1.3 Delegation of Authority

The DOA of the IDT was last approved in May 2014. It is the responsibility of the Board to ensure the Delegation of Authority (DOA) framework is in place to outline the levels of materiality of the IDT's business. 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. He is responsible for, amongst others, administering the proceedings and affairs of the Board and its committees to ensure overall governance and compliance. Furthermore, he is available to assist Board members, advise them on their roles and responsibilities, their professional development and ensure that the Board members are updated on all legislative requirements to ensure compliance, and 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.

The Company Secretary left the employ of the organisation in December 2020. The position had not been filled by the end of the financial year.

Chief Executive Officer

Through the DOA framework, the 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 implementing 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, and the Executive Programme Management Services Unit was appointed Acting Chief Executive Officer for the 2020/21 financial year.

4.1.5 Evaluation of the performance of the Board

The Interim Board and its successor did not conduct a formal assessment of their 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 will be no Audit and Risk Committee Report for the 2020/21 Annual Report.

However, when in October 2021, the Minister of Public Works and Infrastructure re-called/ appointed six former Trustees who had been removed in 2018 to serve on the board after the resignation of the Interim Board; the Board then constituted two additional committees, namely, Turnaround and Programmes Committee and Remuneration, Nomination and Governance Committee for ease of reporting.

Table 9 reflects the composition of the committee, members' qualifications and record of attendance of 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

Name of Member	Qualifications	Date Appointment	Date Resigned	No. of Meetings Attended
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		1 July 2012	N/A	7 of 8
The IDT operated with stand-alone Committees, the Audit Committee and the Risk Committee. The Interim Board then decided to merge the two Committees for ease of reporting and membership				

Name o.f Member	Qualifications	Date Appointment (re-called)	Term ended	No. of Meetings Attended
Mr Z Zitha	Chartered Accountant registered with the Association of Chartered Certified Accountants (ACCA), Certified Internal Auditor (CIA) He holds a B Com in Accounting Diploma in Financial Management	October 2020	30 April 2021	4 of 4
Mr R Patel	Attorneys - Administrator of Estates - Commissioner of Oaths -Constitutional Litigation Certificate (Unisa) Local and Provincial Government Certificate (Unisa) - Immigration Agent - Land Claims and Environmental Law - Trade Marks and Competition Law - Insolvency and Labour Law Practitioner, Mediation/Arbitration (Accredited) –Certificate in Islamic Law(UKZN), Admitted as an Attorney in Lesotho	October 2020	30 April 2021	4 of 4
Ms P Nkomo	Honours Degree in Economics	October 2020	30 April 2021	4 of 4
The IDT operated with three Committees that is, the Audit Committee and the Risk Committee, Remuneration, Nomination and Governance, Turnaround and Programmes. for ease of reporting and membership.				

4.2.1 Audit and Risk Committee

The Audit Committee is an independent committee whose [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 risk management oversight 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 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 the external and internal audits 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 internal controls arising from internal and external audit reports.

4.2.2 Risk Management Committee

The Risk and Compliance Unit did not have personnel for the reporting period. This was after the departure of two officials appointed on short-term contracts, which expired on December 2019 and 31 March 2020, respectively. Their departure temporarily collapsed the Risk and Compliance function of the Unit. The departure coincided with the halting of recruitment owing to the rollout 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 National Treasury and the national Department of Public Works and Infrastructure as a temporary measure did

not succeed.

The Audit and Risk Committee focused on, among others, the following matters:

- The postponement of the external audit by the Auditor-General until August 2021 due to the challenges related to the lack of human resources, systems, and finance
- The appointment of the former CFO as a consultant for six months after the expiry of his contract in February 2021. The reason for his appointment was to prepare and implement an audit action plan to address the poor audit outcomes of the previous financial year.

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 towards implementing the ICT Governance Framework in the IDT's resource-constrained environment. With the pending dissolution and the uncertainty of the organisation, ICT governance gaps still exist. The IT unit needs to establish a new ICT steering committee under the leadership of a Chief Information Officer to revisit the gaps in terms of ICT governance.

5 Internal Audit

The IDT has an Internal Audit Business Unit whose responsibility is to provide independent and objective assurance on business processes to improve performance. Internal Audit's purpose, authority and responsibility are 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 need to be approved by the Audit Committee. However, during the reporting period, the Internal Audit Charter and Plan were not approved due to the resignation of the Audit Committee members. Internal Audit performed on Ad-hoc Audits based on management requests. In addition to this, the Chief Audit Executive left the employ of the organisation in March 2021, leaving the internal audit unit with only one official.

The Chief Audit Executive manages and coordinates the Internal Audit function. The Chief Audit Executive reports administratively to the CEO and functionally to the Audit Committee. In line with 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 ad-hoc reviews completed by Internal Audit during the reporting period covered the following areas:

- PFMA Compliance- Organisational Governance
- Covid-19 Regulation Compliance Review
- EPWP- NPO Covid-19 Response Audit
- EPWP NSS Audits- GP

6. Risk Management

The position of risk management officer was vacant for the duration of the financial year. However, the IDT, in line with the PFMA, King Code on Corporate Governance, 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 and that a strategy to manage those risks is developed and implemented. The risk assessment outcome 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 Compliance and Risk Office ensures 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

The financial unsustainability 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:

- Political environment.
- Budget constraints that prevent stakeholders and clients from making commitments regarding funding/capital injection.
- Delivering poor-quality projects
- Declining project portfolio
- Difficulty in collecting outstanding fees.
- No cost and benefit exercise on the profitability of projects.
- Scope creep on projects due to poor planning and increasing expenditure.
- Difficulty in operating due to lack of skills and expertise.
- Challenge with record management.
- Lack of clarity from DPWI on the future of 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 contracts [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.
- Organizational restructure placed on hold, resulting in challenges.
- Limitation on Employee Value Proposition for the organisation.

6.2 Litigation

The construction industry is highly litigious. Instances of non-compliance with contractual obligations abound, creating the risk of litigation against the entity. Also feeding into the litigation risk are the following factors:

- Late payments.
- Late transfer of funds from clients.
- Lack of client funds.

- 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 and inappropriate client contract terms and conditions

6.4 Non-compliance with governance regulatory framework

The organisation is unable to comply with the 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:

- Uncertainty in current processes and procedures.
- Inability to secure the latest policies and procedures due to poor document warehousing.
- Shortcomings in various processes, i.e. supply chain, finance, etc.

- Lack of streamlined project process and payments.
- Insufficient IT resources (Infrastructure, system, people, finance) to cater for the project management team.
- 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:

- Lack of programme/project management capacity and capability:
- Lack of programme/project management systems to plan, manage, monitor and report on delivery:
- Lack of regular quality assurance – industry and IDT norms and standards;
- Lack of consequence management; and
- Lack of standards regarding project file and document management.

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 remained effective during the reporting period.

Regarding the Fraud hotline, the contract of an independent service provider expired in January 2020 and could not be renewed for the 2020/21 period due to lack of financial resources.

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, and Bid Adjudication committees and all other formal governance meetings of 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 the 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 with the Occupational Health and Safety Act (85 of 1993) and associated regulations. The IDT and its agents are responsible on behalf of clients for the preparation and implementation of the SHEQ plans, and monitoring and reporting thereof.

The Health and Safety Committee played a significant role in implementing the prescribed health and safety protocols to manage the flattening of the COVID-19 pandemic. Among others, it prepared the workplace to be ready to accommodate essential staff to execute their duties through the provision of Personal Protective Equipment, Sanitisers, thermometers and face masks for the national as well as regional offices. The command committee of the IDT also ensured monitoring and reporting of infections and taking appropriate steps to handle the workplace where positive COVID-19 cases or scares were reported.

11. Compliance with the laws and regulations

During the reporting period, the Compliance Management Policy was effective. The Risk and Compliance Unit could not perform its functions owing to a lack of human resources during the financial year. Human resource constraints throughout meant that the entity could not develop and implement a comprehensive compliance management programme 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.

12. Report of the Audit Committee

Audit Committee Report

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2021. The performance of the entity as reflected in this report took place under the leadership of a different board whose term ended in April 2021. However, the audit – which only started in September 2021 and concluded in April 2022- was concluded under a new board of trustees which came into office in August 2021.

Audit Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that it has not reviewed changes in accounting policies and practices.

Corporate Governance

The Committee is of the opinion that the IDT continues to strive towards improving the current state towards complying with sound principles of corporate governance through the implementation of its governance framework. The Committee is also concerned with the issues of non-compliance with corporate governance reflected through persistent audit disclaimers. Notwithstanding this, management has since put in place several corrective actions to remedy the challenges experienced by the entity over the years.

Compliance

During the reporting period, the Committee monitored and was concerned with non-compliance to various pieces of legislation impacting the IDT. There are areas of non-compliance identified within Supply Chain Management in both project level and overheads areas, which require significant improvements in the monitoring systems of compliance with legislation within the Trust. Internal control systems are to be re-engineered and implemented to remedy these non-compliance issues. The Internal Audit have included a review of these internal controls during the new financial period.

Effectiveness of Internal Controls

The systems of controls are designed to provide reasonable assurance that policies, processes, tasks, behaviours and other aspects of the Trust, taken together, facilitate its effective and efficient operation, help to ensure the quality of internal and external reporting, and help to ensure compliance with applicable laws and regulations.

In line with the PFMA and King IV Report on Corporate Governance requirements, Internal Audit provides the Committee with reasonable assurance that the internal controls are adequate and effective. This is achieved by means of reviews and testing of the design, implementation and effectiveness of internal controls as well as the identification of corrective actions and suggested enhancements to the internal controls and processes.

From the various reports of the Internal Auditors, the Audit Report on financial statements, and the management letter of the Auditor General South Africa (AGSA), significant non-compliance with policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were partially efficient and partially effective. It is

noted that remedial actions are in progress to address the non-compliance issues identified and Internal Audit will review these during the new financial period.

Risk Management

In fulfilling its oversight responsibilities, in relation to risk management, the Committee reviewed the risk management framework, strategy, policy, and monitored the implementation of risk mitigation strategies. In our opinion the IDT's approach to the risk management processes is currently inadequate and ineffective. There is a need to significantly improve the system of risk management, beginning by conducting organisation-wide annual risk assessments, and implementing the risk management strategy.

Performance Management

The performance management of predetermined objectives received a disclaimer opinion from the external auditors in the prior years. Internal Audit collaborated with Management in order to determine the root causes and how this situation can be improved. A management action plan will be finalised, implemented and monitored during 22/23 Financial Report.

In-Year Monitoring and Quarterly Reports

The Audit and Risk Committee has noted the content and quality of the Quarterly Reports prepared and issued by the Acting Chief Executive Officer during the year under review.

Evaluation of Financial Statements

The Audit and Risk Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit

Auditor's Report

The Audit and Risk Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.



Ms K. Siyila

Chairperson of the Audit and Risk Committee
Independent Development Trust



PART D

HUMAN RESOURCE MANAGEMENT

1. Introduction

During the period under review, the entity could not implement most of its human capital management programmes. The IDT could not recruit or train staff as there was a moratorium on recruitment and training as directed by the shareholder. The entity's employees had to perform their functions under strenuous conditions, given that employees who resigned during this period could not be replaced.

2. Overview of Human Resource matters

The year under review was challenging as it commenced when the country was under level 5 lockdown. In line with the regulations of the Disaster Management Act for Covid-19, the organisation established a Covid-19 compliance committee. The organisation further issued letters to employees [who were] considered to be essential staff and who had to report to the office. Employees continued to operate remotely until the organisation was operational under lockdown level 3. The organisation complied with the requirements of Covid-19 regulations, including the appointment of a Covid -19 Compliance Officer. The organisation further ensured the safety of employees by issuing masks as prescribed and the utilisation of sanitisers at various critical points, these efforts assisted in reducing the number of covid-19 transmissions in the workplace.

- During the 2nd quarter, the organisation, in line with the risk-adjusted strategy of the country, implemented a phased approach to return to the workplace.
- **Employee performance management framework:** The employees' performance management framework could not be implemented, as there were delays in approving the Annual Performance Plan. The announcement of the dissolution of the IDT by March 2021 meant that no new plans could be finalised, and employees focused mainly on plans the entity considered

essential or critical until the dissolution process was completed.

- **Policy development:** The organisation did not review any policies during this period as they were awaiting the outcomes of the IDT exit strategy as part of the dissolution process. All the policies that were due for review were put on hold.

The following are the highlights of performance for the period under review:

- The organisation reported zero percent (0%) covid 19 workplace transmission throughout the financial year
- Provident fund management committee meetings were held, and Employee benefits roadshows were conducted virtually for all the regions to reassure employees that the provident fund was still working well despite the announcement of the IDT dissolution, causing uncertainty.

The following represent the entity's lowlights and challenges faced during the period under review:

- Low staff morale in the organisation: 50% of the organisation's employees appointed on fixed-term contracts were under threat of termination
- On average most fixed-term contracts were being extended by a duration of three months at a time. There was a high level of uncertainty among employees, leading to the low staff Morale.
- The low staff morale was also exacerbated by the delay in the transfer of funds from the shareholder, which sometimes led to delays in salary payments. There were delays in the payment of salaries, which negatively affected the employees' provident fund investments.
- Regrettably, the entity suffered a loss as two employees passed away as a result of covid -19 related complications

- Sadly, due to the financial position of the organisation, the employer offered a zero percent salary increase, and the matter was taken to the CCMA by NEHAWU, and the case is still pending

The following are future plans in respect of human capital management matters: -

- Embark on a change management drive considering that the IDT has been given a new lifeline and will not be closing down anymore.
- Embarking on a recruitment drive to ensure that it has a skilled and capable workforce to deliver on its mandate

3. Human Resource Oversight Statistics

Table 10 below indicates cost per programme during the period under review. Personnel costs for support staff during the reporting period stood at 34% of the total operational expenditure of the entity, while 31% was spent on core business.

Table 10: Personnel Cost by Programme

Programme /activity / objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a total % of Total Expenditure	No of employees	Average personnel cost per employee (R'000)
Core Business	R 204 410	63 680	31%	103	618.25
Support		68 849	34%	111	620.26
TOTAL		132 529	65%	214	

Table 11: Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000) ¹	%of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	3 687	2.7%	2	1 845
Senior Management	19 975	15.07 %	14	1 427
Professional qualified	44 517	33.59%	50	909
Skilled	39 145	29.54%	73	536
Semi-Skilled	23 972	18.08%	67	358
Unskilled	1 233	0.93%	8	154
SUBTOTAL	132 529	100	214	
Salaries temp Staff				
Retrenchment (including Voluntary Severance Packages)				
Other (salaries for employees who terminated before March 2021 & leave provision				

Level	Personnel Expenditure (R'000) ¹	%of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
TOTAL				
GRAND TOTAL				

Table 11 above indicates that the highest expenditure for the period under review for personnel costs was allocated to qualified professional staff, followed by skilled staff, semi-skilled, senior management, top management and unskilled employees.

Table 12: Performance rewards

Programme/ activity/ objective	Performance rewards	Performance Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	n/a	n/a	n/a
Senior Management	n/a	n/a	n/a
Professional qualified	n/a	n/a	n/a
Skilled	n/a	n/a	n/a
Semi-skilled	n/a	n/a	n/a
Unskilled	n/a	n/a	n/a
TOTAL	0	0	0

Table 13: Training costs

Programme/Activity/Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No of Employees Trained	Average Training Cost Per Employee (R'000)
	R 186 295				
Internal bursary payment		26.00	0.014%	2	13.00
External bursary payment		176.86	0.095%	2	88.43
Other (professional registration)		12.14	0.007%	4	.04
TOTAL		215	0.116%	8	26.88

The table above presents the total training cost for the reporting period.

Table 14: Employment and Vacancies

LEVEL	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies ²	% of vacancies
Top Management	3	4	2	n/a	n/a
Senior Management	15	13	14	n/a	n/a
Professional qualified	55	79	50	n/a	n/a
Skilled	77	138	73	n/a	n/a
Semi-Skilled	68	47	67	n/a	n/a
Unskilled	8	11	8	n/a	n/a
TOTAL	226	292	214	n/a	n/a

Programme / Activity / Objective	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	% of vacancies
Core Business (Programme Management Services)	111	200	103	n/a	n/a
Support (Administration)	115	92	111	n/a	n/a
TOTAL	226	292	214	n/a	n/a

Table 15: Employment Changes

Salary Band	Employment at the beginning	Appointments	Terminations	Employment at the end of the period
Top Management	2	0	1	1
Senior Management	15	0	3	12
Professional qualified	55	0	10	45
Skilled	76	0	5	71
Semi-Skilled	68	0	3	65
Unskilled	8	0	0	8
TOTAL	224	0	22	202

Table 16: Reasons for staff leaving

Terminations	Total	% of total number of staff leaving
Contract Expired	7	31.8
Death	2	9.09
Dismissed	0	0
Resignation	13	59.09
Early Retirement	0	0
Incapacity	0	0
Retirement	0	0
Retrenchment (including voluntary severance packages)	0	0
Total	22	100%

The table above reflects the numbers and reasons for terminating employment service with the IDT.

Table 17: Labour Relations: Misconduct and disciplinary action

Disciplinary Action	Number
Verbal Warning (precautionary warning)	0
Written Warning	0
Final Written Warning	1
Dismissal	0
Total	0

Table 17 above reflects a summary of disciplinary cases.

Table 18: Equity target and: Employment Equity Status: Males

LEVEL	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	0	0		0	1	0
Senior management	8	5	0	0	1	1	1	1
Professional Qualified	21	28	0	5	1	5	3	5

LEVEL	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Skilled	37	59	1	3	0	3	2	4
Semi-skilled	21	18	0	2	0	1	0	1
Unskilled		3	0		0		0	0
TOTAL	88	115	1	10	2	10	7	11

Table 18 above reflects employment equity status [the number of male employees]

Table 19: Equity Target and Employment Equity: Females

LEVEL	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	1	0	0	0	0	0	1
Senior management	3	5	0	1	0	0	0	0
Professional Qualified	19	27	1	3	0	3	2	3
Skilled	32	59	0	4	0	2	0	4
Semi-skilled	44	19	0	2	1	2	1	2
Unskilled	8	5	0	1	0	1	0	1
TOTAL	106	116	1	11	1	8	3	11

Table 19 above reflects a summary of employment equity status [number of female employees]

Table 20: Staff living with disability

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

PART E

FINANCIAL INFORMATION

INDEPENDENT DEVELOPMENT TRUST

(Registration number 669/91)

Annual Financial Statements for the year ended March 31, 2021

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 are consistent with the annual financial statements 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 Annual Financial Statements (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 annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully



Ms. T Malaka

Acting Chief Executive Officer



Ms. Z. Hill

Interim Chairperson of the Board

Financial overview by the Chief Financial Officer

1. Overview of the Annual Financial Statements

The IDT, as an essential conduit for the South African Government to deliver social infrastructure and the implementation of social programmes aimed at creating job opportunities and poverty alleviation, has made tremendous strides in the year under review in contributing to the National Development Plan.

Notwithstanding the financial constraints and global economic constrictions sustained across all spheres of Government in the wake of the devastating COVID-19 pandemic, the organisation generated R120m in revenue from its business operations, which denotes a decrease of 28% from the comparative year. The entity's revenue is directly proportional to programme expenditure, which has significantly declined by 33% from R2.5bn to R1.7bn in the current year. In contrast, the value of total overhead expenditure was curtailed, resulting in a decline from R270m to R245m, and this, coupled with the R148m received as a grant from the shareholder, has resulted in a surplus of R24m for the year, an improvement from R96m deficit in the prior year. Cash and cash equivalents remained relatively comparable to the prior year, with a slight increase of 3% to R78m.

2. Audit outcomes for the year

The Auditor General of South Africa was engaged to audit the Annual Financial Statements of the IDT. However, the Auditor-General disclaimed the audit opinion as they could not obtain sufficient appropriate audit evidence on which to base the opinion on significant account balances and disclosures of

the Annual Financial Statements.

The basis for the disclaimed audit opinion was common across all the functional units, and they signalled a deficient control environment wherein the standard operating procedures derived from policies and computer systems had dreadfully broken down to a point where records and reports extracted were inconsistent and to a large extent contradictory. These system breakdowns necessitated significant manual interventions, which are prone to human error and required sound document management, which had been continuously diminishing in the recent past.

Moreover, the entity endured extended periods without the requisite governance structures and extremely high vacancy rates in critical positions. This disparity was the leading cause for failure to ensure that necessary resources were in place for consistent compliance throughout the year and effective response to the audit process. Most of the findings that led to the opinion resulted from non-submission of requested audit information within the agreed turnaround times and lack of supporting evidence for the balances disclosed in the Annual Financial Statements.

3. Financial sustainability

The IDT is required to be self-sustainable through levying management fees for all the projects implemented in the furtherance of business. However, the number and value of projects undertaken at any period depends, by and large, on the appetite of client Departments to utilise the services of an implementing agent and is variable from year to year in line with the strategic priorities of the relevant client Departments.

The number of projects secured for the year under review was insufficient to generate the revenue required for the organisation to break even. The

INDEPENDENT DEVELOPMENT TRUST

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Annual Financial Statements for the year ended March 31, 2021

organisation relied to a large extent on the shareholder's grant. Furthermore, the multi-period projects currently in implementation yield revenue as and when there is expenditure on those projects, and the entity is exposed to the risk of not being able to cover its fixed costs during periods when there are interruptions or less than desired progress on those projects.

The IDT required a business portfolio with a minimum programme expenditure of R4.4bn for the current year to generate enough management fees to absorb the overhead costs. However, a further provision for reserves is equally crucial. A safe buffer would be 50% above breakeven for statutory obligations that are usually time-bound and carry hefty penalties if unsettled beyond the ordered due dates.

4. *Challenges and interventions*

The IDT grossly lacked capacity in human resources for a major part of the year, which in turn created a skills gap directly impacting the ability to drive business on the ground, accurately accounting for tractions and consequently unable to report on relevant data that would assist in trend plotting and the determination of business viability.

The Board of Trustees was appointed in the 2021/22 financial year. This engagement was swiftly followed by the filling of most of the vacancies in key positions, the appointment of service providers to refurbish the deplorable systems and assist in aligning their functionality to the operational requirements of the organisation to ascertain consistency from initiation to the storage of all information to be reported at year-end, and the surge in the interest by client Departments to do business with the IDT again.

5. *Acknowledgements*

I am exceedingly grateful to the staff of the IDT for diligently contributing to the organisation's overall success despite the adversarial economic climate they are compelled to contend with. I would also like to extend my appreciation to the Board of Trustees and the shareholder for their unwavering support and oversight that has propelled the entity on an upward trajectory.



Ms C. Simpson

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 96 to 155, which comprise the statement of financial position as at 31 March 2021, 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 R1 742 760 000 (2020: R2 903 043 000), in note 5 to the financial statements. Additionally, there was an impact on disclosure note 26, related parties, which includes the expenditure incurred in the execution of the Non-State Sector of the Expanded Public Works Programme on behalf of the Department of Public Works and Infrastructure. Furthermore, the public entity did not disclose any significant risks - including any risk mitigation strategies - and benefits associated with the principal-agent relationship as required by Standard 109 of Generally Recognised Accounting Practice (GRAP), *Accounting by Principals and Agents*.

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 R118 857 000 (2020: R159 625 000) in note 11 to the financial statements.

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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 R42 022 000 (2020: R63 867 000) in note 2 to the financial statements. Additionally, there was an impact on disclosure notes 23 and 28, 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 R104 319 000 (2020: R149 168 000) in note 10 to the financial statements. Additionally, there was an impact on disclosure note 23 relating to financial instruments disclosure. Furthermore, a maturity analysis for payables from exchange transactions and the management of the liquidity risk inherent thereto were not included in disclosure note 28, risk management, as required by Standard 104 of GRAP *Financial Instruments*.

Property, plant and equipment

7. I was unable to obtain sufficient appropriate audit evidence that the public entity reviewed 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 R21 427 000 (2020: R23 310 000) in note 7 to the financial statements, as it was impracticable to do so.

Administration expenses

8. I was unable to obtain sufficient appropriate audit evidence for administration expenses for the current and previous year due to the status of record keeping. I was unable to confirm administration expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to administration expenses stated at R48 056 000 (2020: R63 709 000) in note 20 to the financial statements.

Fruitless and wasteful expenditure

9. 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 R50 875 000 (2020: R47 971 000) note 31 to the financial statements.

Irregular expenditure

10. 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 R105 950 000 (2020: R95 953 000) in note 32 to the financial statements. In addition, the public entity did not have adequate systems of internal control for the identification of transactions where it incurred irregular expenditure in its capacity as procuring institution, while executing projects on behalf of client departments. Thus, the public entity did not disclose such irregular expenditure as under assessment in note 32 to the financial statements, as required by National Treasury Instruction No. 2 of 2019/2020.

Prior-year adjustments

11. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures for receivables from exchange transactions, the retained loss as at 1 April 2019 and revenue from management fees. As described in note 33 to the financial statements, these restatements were made to rectify misstatements identified in previous years, but these restatements could not be substantiated by supporting audit evidence. In addition, the nature of the prior period error was not disclosed as required by GRAP 3, Accounting policies, changes in accounting estimates and errors. I was unable to confirm these restatements by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the previous

period adjustments disclosed in note 33 to the financial statements.

Total expenditure

12. In addition to my inability to obtain sufficient appropriate audit evidence for administration expenses as disclosed in note 20 to the financial statements, total expenditure was materially misstated by R17 746 153 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Employee related costs stated at R155 234 000 was overstated by R13 179 440.
- Impairment loss stated at R30 907 000 was overstated by R4 566 713.

Material uncertainty relating to going concern

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

14. I draw attention to note 29 to the financial statements, which indicates that the entity had an accumulated deficit of R1 976 478 000, the total assets only exceeded total liabilities by R48 522 000 and that revenue from operations was not sufficient to cover operational costs without the received government funding. As stated in note 29, these events or conditions, along with the other matters as set forth in note 29, 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

15. 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 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.
16. 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

17. 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.
18. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence

Standards) (IESBA code), as well as the other ethical requirements that relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of 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.
20. 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 public entity's annual performance report for the year ended 31 March 2021:

Programme 1 - Integrated service delivery	37 - 41
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Annual Financial Statements for the year ended March 31, 2021

21. 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.

22. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

Programme 1 - Integrated service delivery

Percentage of weighted B-BBEE spend (Based on total programme spend)

23. The reported target of 70% did not agree with the planned target of 80% as per the approved annual performance plan.

24. The target of 80% per the approved annual performance plan was changed without the necessary approval.

Percentage of women participating in Contractor Development Programme

25. *The reported indicator Percentage of women participating in Contractor Development Programme did not agree with the planned indicator*

Percentage of women contractors participating in Contractor Development Programme as per the approved annual performance plan.

26. *The indicator Percentage of women contractors participating in Contractor Development Programme per the approved annual performance plan was changed without the necessary approval.*

27. The achievement of 52% was reported against a target of 45% in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 0%.

Number of contractors from designated groups participating in the Contractor Development Programme (CDP)

28. The achievement of 52 was reported against a target of 52 in the annual performance report. However, The supporting evidence provided did not agree to the reported achievement and indicated an achievement of 0.

Various indicators

29. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 4 of the 9 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:

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Indicator number	Indicator Description	Report Achievement
1.2	Number of non-greenfield social infrastructure facilities that comply with infrastructure norms completed	25%
1.3	Percentage of projects completed on time	26%
1.4	Percentage of projects completed within budget	94%
3.1	Number of construction work opportunities created (IDT Portfolio)	851

Indicator Description	Report Achievement
Number of new or replacement facilities that comply with infrastructure norms completed	10
Percentage of weighted B-BBEE spend (Based on total programme spend)	37%
Number of work opportunity created through EPWP (EPWP-NSS excluding IDT programme portfolio)	35 937

30. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, 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.

Other matter

31. I draw attention to the matter below.

Achievement of planned targets

32. Refer to the annual performance report on pages 37 to 44 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 to 30 of this report.

Report on the audit of compliance with legislation

Introduction and scope

33. 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.

34. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance reports and annual reports

35. 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.

36. 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 of disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Procurement and contract management

37. 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.

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Annual Financial Statements for the year ended March 31, 2021

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 PPPFA and Preferential Procurement regulations. Similar non-compliance was also reported in the prior year.

39. Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of the 2017 Preferential Procurement Regulations 4(1) and 4(2). Similar non compliance was also reported in the prior year.

Expenditure management

40. 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.

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

42. I was unable to obtain sufficient appropriate audit evidence that the resources of the Independent Development Trust were utilised economically, as required by section 57(b) of the PFMA.

Revenue management

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

Consequence management

44. 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 because investigations into irregular expenditure were not performed.

45. 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 because investigations into fruitless and wasteful expenditure were not performed.

46. Investigations were not conducted into allegations of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

Strategic planning and performance management

47. Quarterly reports were not prepared, as required by treasury regulation 29.3.1.

INDEPENDENT DEVELOPMENT TRUST

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Annual Financial Statements for the year ended March 31, 2021

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 effectiveness of leadership was seriously hampered by the fact that the entity did not have a properly constituted board of trustees to make major decisions on its strategic direction during the financial year.
50. Oversight responsibility was not discharged successfully due to severe capacity constraints in positions responsible for oversight. The staff shortages at all levels also overburdened the remaining officials and hampered their ability to conduct oversight given that it was a challenge to keep the entity operational.
51. The entity did not have an audit and risk committee for the majority of the audit cycle and the internal audit unit was not capacitated subsequent to the resignation of the chief audit executive before the end of the financial period, thus independent reviews were not conducted on the financial statements and annual performance report that were submitted for audit.
52. There was a significant number of vacant positions in all the key divisions across the organisation that are instrumental in the implementation of the core business, financial and performance reporting as well as ensuring compliance with laws and regulations, in particular consequence

management-which was completely absent during the year under review. This resulted in low staff morale and impeded the entity's ability to effectively discharge its mandate and legislative responsibilities.

53. The public entity did not regularly review, update and approve internal policies to improve the general control environment and ensure compliance with prevailing laws and regulations.
54. Significant deficiencies were identified in the information technology and record-keeping systems of the entity. Complete, relevant, and accurate information was not readily accessible and available to support internal decision making as well as financial and performance reporting.
55. The public entity did not develop a plan to address internal and external audit findings relating to financial, performance and compliance matters reported during previous audits.

Material irregularities

56. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

INDEPENDENT DEVELOPMENT TRUST

(Registration number 669/91)

Annual Financial Statements for the year ended March 31, 2021

Material irregularity in progress

57. I identified a material irregularity during the audit and notified the accounting authority, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting authority was not yet due. This material irregularity will be included in the next year's auditor's report.

Other reports

58. 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.

59. 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 was still in progress at the date of this audit report.

60. 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.

61. 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

13 April 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

INDEPENDENT DEVELOPMENT TRUST

(Registration number 669/91)

Annual Financial Statements for the year ended March 31, 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Social Infrastructure
Registered office	Glenwood Office Park Corner Oberon and Sprite Street Faerie Glen 0043
Business address	Glenwood Office Park Corner Oberon and Sprite Street Faerie Glen 0043
Postal address	P O Box 73000 Lynnwood Ridge 0040
Accounting Authority	Department of Public Works and Infrastructure
Bankers	ABSA
Auditors	Auditor General of South Africa Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Trustees' Responsibilities and Approval

Trustees 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 annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements 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 period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

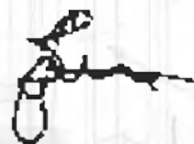
The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the sets standards for internal control 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. These controls are

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

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

The trustees have reviewed the entity's cash flow forecast for the year to March 31, 2022 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 96 - 155, which have been prepared on the going concern basis, were approved by the Board of Trustees on 16 September 2021 and were signed on its behalf by:



Ms Z. Hill

Interim Chairperson of the Board of Trustees

INDEPENDENT DEVELOPMENT TRUST

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STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2021

	Note(s)	2021 R '000	2020 R '000
Assets			
Current Assets			
Receivables from exchange transactions	2	42,022	63,867
VAT receivable	3	4,838	3,780
Receivables - programme payroll	4	5,830	5,964
Programme assets	5	1,742,760	2,903,043
Cash and cash equivalents	6	78,739	76,540
		1,874,189	3,053,194
Non-Current Assets			
Property, plant and equipment	7	21,427	23,310
		1,895,616	3,076,504
Total Assets			
Liabilities			
Current Liabilities			
Finance lease obligation	9	15	163
Payables from exchange transactions	10	104,319	149,168
Programme liabilities	5	1,742,760	2,903,043
		1,847,094	3,052,374
Total Liabilities		1,847,094	3,052,374
Net Assets		48,522	24,130
Reserves			
Initial funding		2,025,000	2,025,000
Accumulated surplus		(1,976,478)	(2,000,870)
Total Net Assets		48,522	24,130

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STATEMENT OF FINANCIAL PERFORMANCE

		2021	2020
	Note(s)	R'000	R'000
Revenue			
Revenue from exchange transactions			
Management fees	11	118,857	159,625
Interest received	12	1,487	5,803
Other income	13	558	3,029
Total revenue from exchange transactions		120,902	168,457
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	14	148,501	5,000
Total revenue		269,403	173,457
Expenditure			
Employee related costs	15	(155,234)	(186,295)
Depreciation and amortisation	16	(2,195)	(4,703)
Impairment loss/ Reversal of impairments	17	(30,907)	(2,348)
Finance costs	18	(264)	(114)
Lease rentals on operating lease	19	(8,355)	(12,868)
Administration expenses	20	(48,056)	(63,709)
Total expenditure		(245,011)	(270,037)
Surplus (deficit) for the year		24,392	(96,580)

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STATEMENT OF CHANGES IN NET ASSETS

Balance at April 1, 2019

Changes in net assets

Deficit for the year

Total changes

Balance at April 1, 2020

Changes in net assets

Deficit for the year

Total changes

Balance at March 31, 2021

Initial Funding	Accumulated surplus	Total net assets
R'000	R'000	R'000
2,025,000	(1,904,290)	120,710
-	(96,580)	(96,580)
-	(96,580)	(96,580)
2,025,000	(2,000,870)	24,130
-	24,392	24,392
-	24,392	24,392
2,025,000	(1,976,478)	48,522

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CASH FLOW STATEMENT

		2021	2020
	Note(s)	R'000	R'000
Cash flows from operating activities			
Receipts			
Sale of goods and services		109,929	237,816
Grants		148,501	5,000
Interest income		1,487	5,803
Other receipts		559	3,029
		<u>260,476</u>	<u>251,648</u>
Payments			
Employee costs		(155,234)	(186,295)
Suppliers		(102,319)	(20)
Finance costs		(264)	(114)
		<u>(257,817)</u>	<u>(186,429)</u>
Net cash flows from operating activities	22	<u>2,659</u>	<u>65,219</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(312)	(150)
Cash flows from financing activities			
Finance lease payments		(148)	(856)
Net increase/(decrease) in cash and cash equivalents		<u>2,199</u>	<u>64,213</u>
Cash and cash equivalents at the beginning of the year		<u>76,540</u>	<u>12,327</u>
Cash and cash equivalents at the end of the year	6	<u>78,739</u>	<u>76,540</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
R '000	R '000	R '000	R '000	R '000	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rendering of services	200,000	-	200,000	118,857	(81,143)	34.1
Interest received	-	-	-	1,487	1,487	34.2
Other income	500	-	500	558	58	34.3
Total revenue from exchange transactions	200,500	-	200,500	120,902	(79,598)	

Revenue from non-exchange transactions

Transfer revenue

Government grants and subsidies

Total revenue

	160,000	-	160,000	148,501	(11,499)	34.4
Total revenue	360,500	-	360,500	269,403	(91,097)	

Expenditure

Personnel

Depreciation and amortisation

	(163,026)	-	(163,026)	(155,234)	7,792	34.5
	(7,500)	-	(7,500)	(2,195)	5,305	34.6

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CONT.

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	
Impairment loss/ Reversal of impairments	-	-	-	(30,907)	(30,907)	34.7
Finance costs	-	-	-	(264)	(264)	34.8
Lease rentals on operating lease	(18,467)	-	(18,467)	(8,355)	10,112	34.9
General expenses	(81,992)	-	(81,992)	(48,056)	33,936	34.10
Total expenditure	(270,985)	-	(270,985)	(245,011)	25,974	
Surplus before taxation	89,515	-	89,515	24,392	(65,123)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	89,515	-	89,515	24,392	(65,123)	

ACCOUNTING POLICIES

1. *Presentation of Annual Financial Statements*

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. 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 annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note , First-time adoption of Standards of GRAP.

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

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 information. For amounts due to the entity, significant financial difficulties of the receivable, probability that the

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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, its 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.

ACCOUNTING POLICIES

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.

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ACCOUNTING POLICIES

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

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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 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.

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ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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:

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1.6 Financial instruments (Cont.)

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables- programme payroll	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	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.

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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.

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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

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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.

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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 occurrence 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 25.

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 24 - 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:

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- 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.

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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.

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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 27 - 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 unauthorised 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 31.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other

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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 32.

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 4/1/2020 to 3/31/2021.

The annual financial statements 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

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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 annual financial statements.

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 to date of valuation of the progress certificate and Professional Services Provider

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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 penalties 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 "contractor" 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.

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2021	2020
R '000	R '000

2. *Receivables from exchange transactions*

Receivables - management fees	70,168	58,581
Receivables control	(233)	(237)
Management fees - receivables accrual	17,522	20,993
Sundry receivables	41,671	38,573
Prepayments	914	1,075
Salary control accounts	350	2,243
Staff debtors	7	7
Allowance for impairment	(88,377)	(57,368)
	42,022	63,867

Trade and other receivables pledged as security

No trade receivables were pledged as security during the year.

Trade and other receivables impaired

As of March 31, 2021, trade and other receivables of R128 million (2020: R119 million) were impaired and provided for

The amount of the provision was R86 million as of March 31, 2021 (2020: R55 million).

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The ageing of these trade receivables is as follows:

	2020	2021
	R'000	R'000
Current	46,075	14,521
31 - 60 days	11,422	5,938
61 - 90 days	13,999	-
91 - 365 days	18,030	4,030
366 - 730 days	369	3,633
731 days and over	19,856	11,668
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	55,911	53,281
Provision for impairment	(643)	(337)
Adjustment	31,550	2,967
	86,818	55,911
3. VAT receivable/(payable)		
VAT	4,838	3,780
4. Receivables - programme payroll		
Receivables - programme payroll	5,830	5,964

5. Programme assets and liabilities

The IDT has entered into binding arrangements with various client departments wherein it acts on behalf of 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:

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5. Programme assets and liabilities (Continued)

Opening bank balance

Funds received from client departments

Interest received

Total Income (A)

Programme expenditure

Value of work executed

Professional fees

Non-state sector expenditure

Interest incurred - Client department non compliance

Interest incurred - recouped

Penalties due to employer

Damages due to contractors

Expenses and losses due to employer

Management fees

Management fees - Infrastructure and social programmes

Management fees - Non state sector

Total Expenses (B)

Programme balance (A-B)

Interest paid to clients

Programme payments net movement

Closing bank balance

2021	2020
R '000	R '000
694,932	660,022
1,862,610	3,232,972
26,106	48,968
2,583,648	3,941,962
1,690,043	2,514,470
1,085,462	1,396,070
237,099	480,575
373,475	644,228
1,659	3,487
832	-
(8,849)	(9,198)
4,539	2,463
(4,174)	(3,155)
136,685	198,914
99,842	159,122
36,843	39,792
1,826,728	2,713,384
756,919	1,228,578
(5,248)	(25,452)
(20,893)	(696,239)
730,778	506,887

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	2021	2020
	R '000	R '000
Programme assets		
Programme trade and other receivables	1,008,094	2,204,222
Programme debtors	3,130	3,130
Programme cash and cash equivalents	731,536	695,690
	<u>1,742,760</u>	<u>2,903,042</u>
Programme reserves and liabilities		
Funds held in trust	(474,340)	(1,942,719)
Programme trade and other payables	(1,231,653)	(809,761)
Programme retention liability	(36,767)	(150,562)
	<u>(1,742,760)</u>	<u>(2,903,042)</u>

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	20	20
Bank balances	78,719	76,520
	<u>78,739</u>	<u>76,540</u>

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7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
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	(270)	94	364	(256)	108
Furniture and fittings	9,592	(8,693)	899	9,592	(8,312)	1,280
Motor vehicles	613	(611)	2	613	(592)	21
Office equipment	9,820	(9,503)	317	9,820	(9,361)	459
Computer equipment	10,571	(9,479)	1,092	10,261	(8,455)	1,806
Office equipment - Leased	5,467	(4,780)	687	5,467	(4,187)	1,280
Canteen equipment	229	(226)	3	229	(206)	23
Total	57,056	(35,629)	21,427	56,746	(33,436)	23,310

Reconciliation of property, plant and equipment - As at 31 March 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	4,000	-	-	-	-	4,000
Buildings	14,333	-	-	-	-	14,333
Mechanical equipment	108	-	-	-	(14)	94
Furniture and fittings	1,280	-	-	(6)	(375)	899

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	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Motor vehicles	21	-	-	-	(19)	2
Office equipment	459	-	(4)	-	(138)	317
Computer equipment	1,806	312	-	-	(1,026)	1,092
Office equipment - Leased	1,280	-	-	-	(593)	687
Canteen equipment	23	-	-	-	(20)	3
	23,310	312	(4)	(6)	(2,185)	21,427

Reconciliation of property, plant and equipment - As at 31 March 2020

	Opening balance	Additions	Depreciation	Total
Land	4,000	-	-	4,000
Buildings	14,333	-	-	14,333
Mechanical equipment	123	-	(15)	108
Furniture and fittings	1,626	150	(496)	1,280
Motor vehicles	40	-	(19)	21
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
	26,203	150	(3,043)	23,310

Pledged as security

Carrying value of assets pledged as security:

Expenditure incurred to repair and maintain property, plant and equipment

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

8. *Intangible assets*

2021			2020		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
5,082	(5,082)	-	5,082	(5,082)	-

Computer software

Reconciliation of intangible assets - As at 31 March 2021

Reconciliation of intangible assets - As at 31 March 2020

Opening balance	Amortisation	Total
1,661	(1,661)	-

Computer software

Pledged as security

None of the intangible assets were pledged as security.

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9. Finance lease obligation

Minimum lease payments due

- within one year

less: future finance charges

Present value of minimum lease payments

Present value of minimum lease payments due

- within one year

2021	2020
R'000	R'000
15	166
15	166
-	(3)
15	
15	163

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.

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10. Payables from exchange transactions

	2021	2020
	R'000	R'000
Trade payables	55,298	114,022
Trade debtors with credit balances	851	1,615
Programme funds not yet transferred out	35	35
Accrued leave pay	22,319	13,819
Accrual - 13th cheque	847	1,625
Accrued expenses	21,109	14,141
Salary control accounts	3,860	3,911
	104,319	149,168

11. Management fees

Management fees	118,857	159,625
-----------------	---------	---------

12. Interest received

Interest received	1,301	3,038
Finance lease expenditure	5	98
Discounting trade payables	-	709
Discounting trade receivables	181	1,958
	1,487	5,803

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13. Other income

Non - Management Fee Income

Tender deposit

2021	2020
R'000	R'000
45	350
513	2,679
558	3,029

14. Government grants and subsidies

Operating grants

Government grant - operating

148,501	5,000
---------	-------

15. Employee related costs

Basic

Leave pay provision charge

Termination benefits

146,123	171,296
9,611	5,335
(500)	9,664
155,234	186,295

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16. Depreciation and amortisation

	2021	2020
	R '000	R '000
		15
Mechanical equipment	15	495
Furniture and fittings	386	19
Motor vehicles	19	549
Office equipment	138	1,330
Computer equipment	1,029	10
Canteen equipment	8	624
Office equipment - leased	600	1,661
Amortisation - computer software	-	
	2,195	4,703

17. Impairment of assets

Impairments		
Trade and other receivables	30,907	2,348

18. Finance costs

Other interest paid	264	114
---------------------	-----	-----

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19. Lease rentals on operating lease

Lease rentals on operating lease - photocopier

Contractual amounts

2021	2020
R'000	R'000
360	18

Lease rentals on operating lease - premises

Contractual amounts

7,995	12,850
-------	--------

8,355	12,868
--------------	---------------

20. Administration expenses

Bank charges

235	356
-----	-----

Catering, meals and entertainment

44	331
----	-----

Cleaning

1,425	1,673
-------	-------

Consulting and professional fees

124	530
-----	-----

Development initiative

-	60
---	----

Document storage

993	(743)
-----	-------

External audit fees

7,670	8,261
-------	-------

Fines and penalties

1,692	283
-------	-----

IT expenses

7,252	7,356
-------	-------

Insurance

306	557
-----	-----

Internal audit

-	2,438
---	-------

Legal fees

11,392	15,394
--------	--------

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	2021	2020
	R'000	R'000
Media communication	270	1,129
Medical expenses	1	-
Motor vehicle expenses	181	202
Other expenses	100	11
Postage and courier	64	141
Printing and stationery	935	1,275
Property management fees	703	1,208
Recruitment and placement fees	(40)	624
Repairs and maintenance	849	1,028
Restructuring	-	118
Security	936	898
Staff training	215	1,080
Subscriptions and membership fees	82	341
Telephone	6,400	5,292
Travel and accommodation - local	1,561	8,093
Trustees remuneration	1,339	1,135
Water, rates and electricity	3,315	4,266
Workshops, conferences and seminars	12	372
	48,056	63,709

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2021	2020
R'000	R'000

21. Auditors' remuneration

Fees	7,670	8,261
------	-------	-------

22. Cash generated from operations

Surplus (deficit)	24,392	(96,580)
Adjustments for:		
Depreciation and amortisation	2,195	4,703
Impairment deficit	30,907	2,348
Reversal	(30,907)	(2,348)
Changes in working capital:		
Receivables from exchange transactions	21,846	66,067
Receivables - programme payroll	134	9,775
Payables from exchange transactions	(44,850)	83,107
VAT	(1,058)	(1,853)
Programme assets	1,160,283	(1,133,545)
Programme liabilities	(1,160,283)	1,133,545
	2,659	65,219

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. Financial instruments disclosure

Categories of financial instruments

As at 31 March 2021

Financial assets

Cash and cash equivalents

Receivables from exchange transactions

Receivables - programme payroll

VAT receivables

At amortised cost	Total
78,739	78,739
42,022	42,022
5,830	5,830
4,838	4,838
131,429	131,429

Financial liabilities

Finance lease obligation

Payables from exchange transactions

At amortised cost	Total
15	15
104,319	104,319
104,334	104,334

As at 31 March 2020

Financial assets

Cash and cash equivalents

Receivables from exchange transactions

Receivables - programme payroll

VAT receivable

At amortised cost	Total
76,540	76,540
63,867	63,867
5,964	5,964
3,780	3,780
150,151	150,151

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. Financial instruments disclosure (continued)

Finance lease obligation
Payables from exchange transactions

2021	2020
R'000	R'000
At amortised cost	Total
163	163
149,168	149,168
149,331	149,331

24. Commitments

Authorised capital expenditure
No capital commitments existed for the year under review.
Operating leases - as lessee (expense)

Minimum lease payments due
- within one year
- in second to fifth year inclusive

5,402	9,430
2,419	10,564
7,821	19,994

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.

Rental expenses relating to operating leases
Actual expenditure
Provisions

8,320	12,563
(108)	(60)
8,212	12,503

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2021	2020
R '000	R '000

25. Contingencies

The table below sets out the contingent liabilities at year end with the maximum potential liability to the entity:

Azcon Projects	9,997	9,997
Azcon Projects	-	9,364
DAC	13,264	13,264
Delecx Joint Ventures	20,188	20,188
Iphintombi Construction	-	671
Iliso Consulting	600	125
Tebfin (Pty) Ltd	380	-
Quanto 2000 Qty Surveyors & Project Managers	1,500	-
Moago Construction	7,187	-
Class A Trading 253 (Pty) Ltd	783	-
Msunduzi Local Municipality	34,115	34,115
Sambumbu & Associates cc	16,777	16,777
QS Online	1,944	-
Rapid Builders & Contractors	-	1,386
Respiratory Care Africa (Pty) Ltd	700	2,450
Bakone Secelec JV	16,000	29,898
Myambo Mxolisi Adolphus & Other	-	1,304
SA Fence and Gate	2,000	9,000

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Contingencies (continued)

	2021	2020
	R '000	R '000
Taurus Garden	7,148	7,148
Tusk Construction and Joint Equity Investment in housing	1,988	1,988
Vezokuhle	-	1,876
3 Rings Sebata JV	-	9,607
Alderwood t/a Buyeye Consulting	299	231
Mmanyane Construction JV BK Steelworks Construction	1,913	1,913
Manyeleti Consulting (pty) Ltd	21,041	21,041
Africa X-Ray Industrial & Medical (Pty) Ltd	528	-
Royal Haskonong DHV (Pty) Ltd	3,700	-
Develex 302//IDT	3,021	-
MG Architects and Project Management	5,452	-
Creative Axis Architects Free State (Pty) Ltd	3,196	-
Basil Read (Pty) Ltd	15,700	-
Tricks Wrought Iron Services (Pty) Ltd	497	-
Singatha Africa Management Services (Pty) Ltd	701	-
Nuel & Neo Siyabonga Construction JV	1,885	-
Shiyabantu Project Consulting & Development T/A Shiya Consulting	1,633	-
	194,137	192,343

Contingent liabilities entail amounts that are currently under litigation.

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2021	2020
R'000	R'000

26. Related parties

Relationships

Members

Controlling entity

Members of key management

Refer to members' report note

Department of Public Works and Infrastructure

Name: Mr C Lombaard (Acting CEO)

Name: Mr MJ Mofokeng (CFO)

Board of Trustees

2021

Name

Mr. Tlhotse Motswaledi (Interim Chairperson)

Ms. N Rakolote

Ms. M Fatyela-Lindie

Dr. L Zitha (Interim Chairperson)

Mr. S Biniza (Deputy Chairperson)

Ms. P Nkomo

Mr. Z Zitha

Ms. G Kabanyane

Mr. R Patel

Fees for services	Total
145	145
67	67
43	43
289	289
167	167
128	128
126	126
95	95
104	104
1,164	1,164

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Board of Trustees

2020

Name

Mr. T Motswaledi (Interim Chairperson)

Ms. N Rakolote

Mr. M Mthombeni

Ms. B Fatyela

Fees for services	Total
429	429
302	302
-	-
91	91
822	822

Non-Executive Independent Committee Members

Mr. M Burton

Mr. P Dala

Mr. P Moilola

Fees for services	
83	83
18	18
92	92
193	193

Executive Management

2021

Name

Mr. C. Lombaard (Acting CEO)

Mr. MJ Mofokeng (CFO)

Basic salary	Total
2,012	2,012
2,023	2,023
4,035	4,035

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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 -Chief Financial Officer	1,524	334	-	-	1,858
Ms. T Thankge - Acting Executive CSU	793	105	11	84	993
Mr. C Lombaard - Executive Head PMSU	1,462	229	-	-	1 691
	5,777	953	130	84	6,944

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

1. The IDT has implemented the Non-State Sector programme on behalf of the Department of Public Works and Infrastructure, and the expenditure relating to the programme was R373 million (2020: R644 million), and the IDT generated R 32 million (2020: R 39 million) in revenue from this programme. All transactions within this programme were at arm's length.

2. The following are entities that are commonly controlled by the Department of Public works and Infrastructure, 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

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3. The IDT has received a grant from DPWI for purposes of paying salaries and overhead expenses. The total received amounted to R148.5 million.

2. The IDT has closed six (6) of its regional offices in a bid to reduce expenditure, and five of those offices have been accommodated by the regional DPWI offices at no cost to the IDT. The office rationalisation has resulted in a cost saving across the five regions amounting to R6.5 million.

Office lease cost savings

Free State
Mpumalanga
Northern Cape
North West
Western Cape

Aggregated saving	Total
1,236	1,236
237	237
2,140	2,140
1,669	1,669
1,200	1,200
6,482	6,482

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27. *Comparative figures*

Certain comparative figures have been restated. Refer to note 33 for the details.

28. *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.

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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 receivables from exchange transactions, net of impairment amount to R42 million (2020: R64 million). The IDT only transacts with various Government Institutions who have no independent rating. The IDT does not have any significant credit risk exposure to any single counterparty having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Government departments have no independent rating.

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

Financial instrument

	As at 31 March 2021	As at 31 March 2020
Funds due from programme principals	4,907	5,964
Amounts due from SARS in respect of VAT	-	3,780
Cash and cash equivalents	78,739	76,540
Receivables from exchange transactions	42,022	63,867
Receivables - programme payroll	5,830	5,964

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

Cash and cash equivalents	78,739	76,540
Receivables from exchange transactions	42,022	27,233
Receivables - programme payroll	5,830	5,964

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

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

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

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DETERMINATION OF AMORTISED COST

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.

29. Going concern

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

However, we draw attention to the fact that at 31 March 2021, the entity had an accumulated surplus (deficit) of R (1,976,478) and that the entity's total assets only exceed its total liabilities by R 48,522. Moreover, the entity's revenue from operations were not sufficient to cover the operational costs without the received government funding. It was on this account that the entity made a request to the shareholder for funding of operations for the period ending 31 March 2022, and the shareholder is in the process of identifying budget savings from their Departmental units.

30. Events after the reporting date

No disclosable events occurred after reporting date.

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2021	2020
R'000	R'000
47,625	46,281
3,250	1,690
-	-
50,875	47,971

31. Fruitless and wasteful expenditure

Opening balance

Add: Fruitless and wasteful expenditure-current year

Less: Correction of prior year

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.

Details of fruitless and wasteful expenditure

Navigant - Legacy project and CEO's awards function

Interest on overdue supplier accounts

Transactions relating to National Treasury forensic investigation

Fruitless and wasteful expenditure (programme interest)

Advertising bid not evaluated

Staff training not attended

Interest charged on Telkom invoice

Gauteng rental interest charged

Penalty on third party payments

Interest and penalties on SARS late payment

3,980	3,980
160	143
41,405	41,405
726	726
21	21
6	6
193	103
445	445
10	-
1,814	-
48,760	46,829

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021	2020
R'000	R'000

32. Irregular expenditure

Opening balance

95,953 82,653

Add: Irregular Expenditure - current year

9,997 13,300

105,950 95,953

Analysis of expenditure awaiting investigation per age classification

Current year

9,997 13,300

Prior years

95,953 82,653

105,950 95,953

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2021	2020
R'000	R'000

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

	Disciplinary steps taken/criminal proceedings	
Single 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 incurred.	To be investigated	408
Invalid reasons for single sourcing though supported by NT and approved by the Bid Adjudication Committee.	To be investigated	331
Contract expired	To be investigated	4,975
Contract expired	To be investigated	2,356
SLA not yet signed with Sana Developers who have taken over from Home Grown Properties Rooted Living Services the IDT	To be investigated	1,338
Contract expired	To be investigated	589
		9,997

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Irregular expenditure (continued)

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.

33. 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:

INDEPENDENT DEVELOPMENT TRUST

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Statement of financial position

As at 31 March 2020

	As previously reported	Correction of error	Reasted
Receivables from exchange transactions	48,507	15,361	63,868
VAT Receivables	3,780	-	3,780
Cash and cash equivalents	76,540	-	76,540
Programme Assets	2,903,043	-	2,903,043
Property plant and equipment	23,310	-	23,310
Intangible Assets	-	-	-
Receivables programme payroll	5,964	-	5,964
Finance Lease Obligation(short term)	(163)	-	(163)
Trade and other payables	(149,169)	-	(149,169)
Programme reserves and liabilities	(2,903,043)	-	(2,903,043)
Finance Leases	-	-	-
Initial Funding	(2,025,000)	-	(2,025,000)
Retained Loss as at 01 April 2019	1,908,619	(4,329)	1,904,290
	107,612	(11,032)	96,580

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Statement of financial performance

As at 31 March 2020

	As previously reported	Correction of error	Reasted
Management fees	148,593	11,032	159,625
Government grants	5,000	-	5,000
Other income	3,029	-	3,029
Interest income	5,803	-	5,803
Employment expense	(186,295)	-	(186,295)
Depreciation and amortisation	(4,703)	-	(4,703)
Impairment loss/Rerversal of impairments	(2,348)	-	(2,348)
Finance Expense	(114)	-	(114)
Administration expense	(63,709)	-	(63,709)
Lease rentals on operating leases	(12,868)	-	(12,868)
Deficit for the year	(107,612)	11,032	(96,580)

INDEPENDENT DEVELOPMENT TRUST

(Registration number 669/91)

Annual Financial Statements for the year ended March 31, 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2021	2020
R'000	R'000

Errors

The following prior period errors adjustments occurred:

Error 1

Prior year revenue was inspected and some changes had to be effected.

Statement of financial position

Retained loss

- (4,329)

Receivables from exchange transactions

- 15,361

11,032

Statement of financial performance

Management fees

- -

- 11,032

- 11,032

INDEPENDENT DEVELOPMENT TRUST

(Registration number 669/91)

Annual Financial Statements for the year ended March 31, 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Budget differences

Material differences between budget and actual amounts

34.1 The main source of revenue for the entity is management fees derived from programme expenditure. Programme expenditure is below the budget for the year ended 31 March 2021, thus a similar negative reflection on revenue from services rendered is to be expected.

34.2 Interest received was not budgeted for due to the low levels of cash and cash equivalents forecast for the financial year, however the interest reflected is interest earned on positive cash balances during the financial year.

34.3 The budget for other income reflected the expectations 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 longer sold, but published electronically.

34.4 The IDT was requested to adjust its budget to cater for overhead expenditure with the exception of consultancy fees, which resulted in a difference of R11.5m

34.5 The IDT is undergoing an organisational restructuring process, and thus most vacancies had not been filled in the year pending the finalisation and approval of a new structure .

34.6 No major variances are experienced in this category. The entity also did not embark on any material capital expenditure or disposals during the financial year.

34.7 Management plans to recover all outstanding debtors, and thus there was no budget for impairment.

34.8 The majority of finance cost incurred relates to interest charges levied by service providers for late payment. Accordingly it has been disclosed as fruitless expenditure.

34.9 Savings are experienced on operating leases due to the rationalisation of five regional offices that were accommodated in the Provincial DPWI offices at no cost to the IDT

34.10 Savings are being experienced across the major general expenses due to the halted recruitment process and COVID-19 lockdown which largely affected travel and subsistence.

35. 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

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