

■ PAPERWORK

# IDT's finances a shambles, audit shows

*Auditor-General issues disclaimer for 4th year in a row, saying leadership exercised inadequate oversight*

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THE Independent Development Trust (IDT) has obtained another disclaimer for the fourth year in a row after it could not provide Auditor-General Kimi Makwetu with adequate supporting documents.

During the audit of the IDT's 2017/18 finances, Makwetu found financial statements were not prepared in terms of the prescribed requirement and material misstatements were not adequately corrected owing to a lack of supporting documents.

"I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements," Makwetu said in his audit report for 2017/18.

Makwetu could not obtain supporting documents for liabilities and assets stated at R1.9 billion.

"I was unable to confirm these liabilities and assets by alternative means."

It was the same with the R312 million in revenue from project management fees.

Makwetu said proper record-keeping was not effectively implemented.

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

The shambles in IDT's finances took place when the entity was saddled with leadership instability and underwent a turnaround to change its fortunes.

But, Makwetu said this was not an

excuse as the IDT leadership did not implement the action plan to address matters that arose from previous years' disclaimers. "Leadership exercised inadequate oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls."

Public Works Minister Thulas Nxesi, under whom the entity falls, said 2017/18 has been a challenging year for the IDT in terms of leadership and governance.

"I have requested National Treasury to assist in providing a rapid diagnosis and options for the implementation of a sustainable operating model and turnaround plan that will restore its integrity and ensure that it becomes self-sustaining in the long run," Nxesi said.

Makwetu said effective steps were

not taken to prevent R55m in irregular expenditure as well as R41m in fruitless and wasteful expenditure.

He also found that supply chain processes were not followed in awarding of tenders to non-qualifying contractors – despite similar non-compliance reported in the year before.

"Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials," Makwetu added.

In its annual report, IDT disclosed that revenue declined by 7% to R201m; it recorded a deficit of R92m which was down from R134m; and its assets exceed liabilities by R120m.

While there was improvement in payments by client departments, provision for bad debt was raised to R44.8m.

Tlhotse Motswaledi, interim board

chairperson, said they did not take kindly to the audit outcome.

"Besides the legacy issues, our targeted outcome is an unqualified audit opinion. Significant improvement in our internal control environment will be a continued priority to achieve our set target," Motswaledi said.

He said the board has in the past year approved the operating model and turnaround plan which were submitted to the department and National treasury.

Chief executive Coceko Pakade said the operating model and turnaround plan would serve as a structured response to their financial predicament. "The operating model and turnaround plan have a number of strategic and operational measures to improve financial viability of the IDT in the short term, medium to long-term."