

■ AUDIT REPORT



PUBLIC Works Minister Patricia de Lille says the IDT turnaround plan has not been fully implemented. | PHANDO JIKELO African News Agency (ANA)

AG unable to sort out IDT mess

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AUDITOR-GENERAL Kimi Makwetu has made damning findings against the embattled Independent Development Trust (IDT), which obtained a qualified audit opinion in 2018-19.

In his annual report submitted to Parliament, Makwetu said investigations were not conducted into all allegations of financial misconduct at the IDT, which flouted the supply chain management legislation and regulations.

He said he was unable to obtain sufficient audit evidence for the IDT's assets and liabilities.

"I was unable to determine whether any adjustment was necessary to programme assets and liabilities, both stated at R1 978 413 000," he said.

Makwetu also said he was unable to determine whether any adjustment was necessary to the IDT's revenue, stated at R227 490 000, and receivables from exchange transactions, stated at R125 475 000.

He blamed this on a failure by the entity to have adequate systems and processes in place to identify and accurately record all programme expenditure incurred. "This had a resultant impact on revenue due to the entity

from programme management fees."

The management fees decreased by R20m from R237m to R217m. The IDT is owed R92m in management fees by several client departments.

Makwetu also said effective and appropriate steps were not taken to prevent R30 165 000 in irregular expenditure, as well as collecting all revenue due to the IDT.

"I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure. This was due to there being no proper and complete records maintained as evidence to support the investigations into irregular expenditure."

He added that investigations were not conducted into all allegations of financial misconduct.

Makwetu also found that the IDT flouted the supply chain management legislation and regulations.

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

Public Works and Infrastructure Minister Patricia de Lille said the entity's turnaround plan, approved in 2017, has not been fully implemented.

De Lille noted that Makwetu's findings highlighted a lack of consequence management in the IDT.

"The AG found that financial statements the IDT submitted for auditing were not according to the Public Finance Management Act," she said.

"A financially viable IDT is critical for the delivery of infrastructure. During the reporting, the IDT had several poor performance challenges which threaten its long-term viability."

IDT board chairperson Enoch Motswaledi said internal challenges for the IDT were receiving urgent attention from the board and executive authority.

Motswaledi also said the entity was pleased with an improvement in audit opinion from disclaimer to a qualified audit.

"The IDT's financial results have been a cause for concern, leading to the entity having insufficient reserves on numerous occasions to meet all its contractual obligations.

"Notwithstanding these, the interim board and management continued to prioritise revenue generation as well as management fee collections.

"The organisation remains vulnerable to insolvency and therefore requires an immediate capital injection," Motswaledi said.