



Annual Report 2017/2018



### **VISION**

A transformed construction industry that is inclusive, ethical and contributes to a prosperous South Africa and the world



### **MISSION**

We exist in order to regulate and develop the construction industry through strategic interventions and partnerships

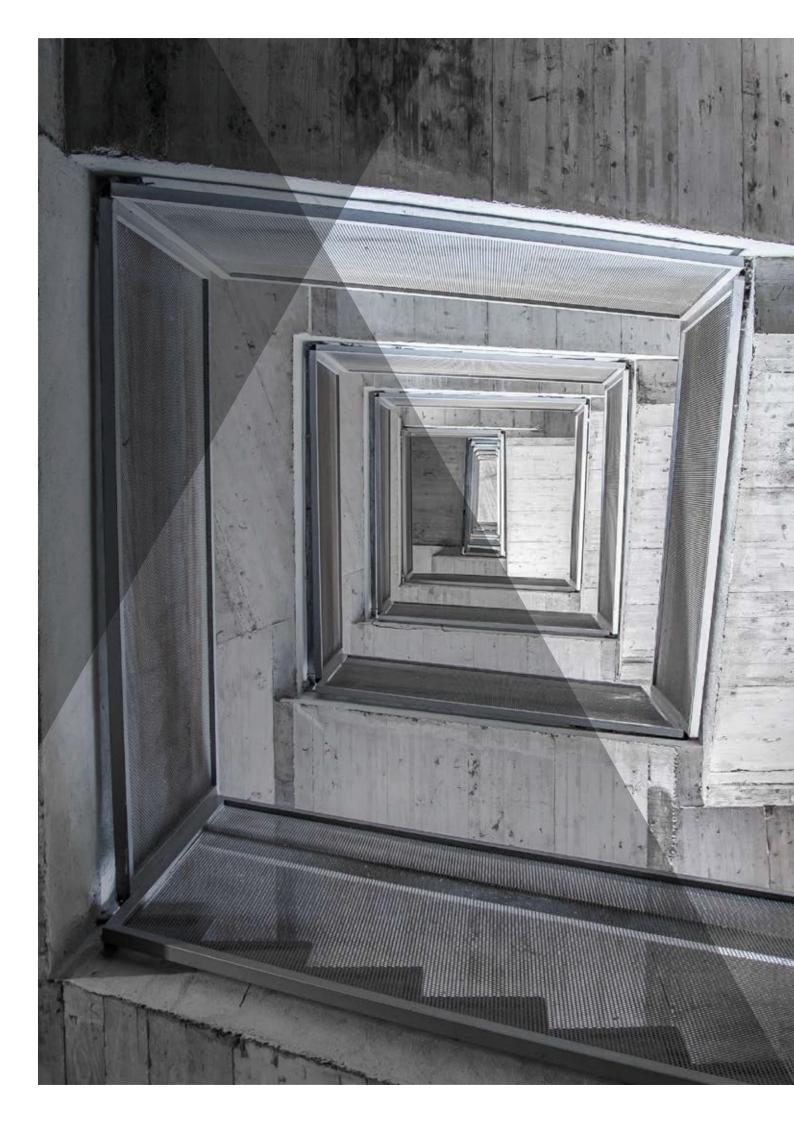


## **VALUES**

Responsive, efficient, effective, innovative, ethical, accessible and agile



GENERAL OVERVIEW	3
Abbreviations	4
Minister's Foreword	5
Chairperson's Report	6
Board Members	10
CEO's Report	12
PUBLIC SECTOR PROCUREMENT REFORM	15
Construction Registers Service	16
Investigating Non-Compliance to cidb Prescripts	19
STANDARDS FOR PERFORMANCE IMPROVEMENT	21
Standard for Contractor Competence	22
MONITORING INDUSTRY PERFORMANCE	23
Transformation	24
Business Conditions	25
Employment	25
Contractor Development	25
Red Tape	26
PROMOTING INDUSTRY COMPETITIVENESS	27
Export of Contracting Services	28
Project Assessment Scheme	29
STAKEHOLDER ENGAGEMENTS	30
Worldskills	31
Milestone Postgraduate Conference	32
Work-Ready Graduates	32
Human Resources	33
ANNUAL FINANCIAL STATEMENTS	35
PERFORMANCE INFORMATION	84



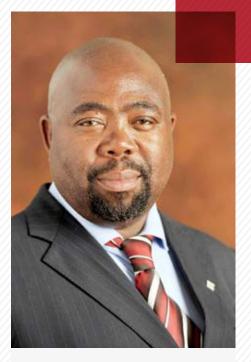


GENERAL OVERVIEW

# **ABBREVIATIONS**

APL	Assessment of Prior Learning
ARGC	Audit, Risk and Governance Committee
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
BER	Bureau for Economic Research
ВЕРЕС	Built Environment Professions Export Council
ВМС	Business Management Competence
CDP	Contractor Development Programme
CE	Civil Engineering (a class of works used in the cidb grading system)
CESA	Consulting Engineers South Africa
CID	Construction Industry Development (Regulations)
cidb	Construction Industry Development Board
DPW	Department of Public Works
dti	Department of Trade and Industry
ЕВ	Electrical Engineering Works: Building (a class of works used in the cidb grading system)
EC	Eastern Cape
EP	Electrical Engineering Works: Infrastructure (a class of works used in the cidb grading system)
FS	Free State
GB	General Building Works (a class of works used in the cidb grading system)
GP	Gauteng Province
GRAP	Generally Recognised Accounting Practices

ISA	International Standards on Auditing
lΤ	Information Technology
KZN	KwaZulu-Natal
LIMP	Limpopo
ME	Mechanical Engineering Works (a class of works used in the cidb grading system)
MoA	Memorandum of Agreement
MPU	Mpumalanga
NC	Northern Cape
NCDP	National Contractor Development Programme
NW	North West
OSM	Outward Selling Missions
PAA	Public Audit Act No 25 of 2004
PFMA	Public Finance Management Act
PSP	Professional Service Provider
SABS	South African Bureau of Standards
SCM	Supply Chain Management
SME	Small and Medium Enterprises
SW	Specialist Works (a class of works used in the cidb grading system)
TVET	Technical Vocational Education and Training
WC	Western Cape
WMC	Works Management Competence



"I have watched the organisation grow in stature over many years and have no doubt that the permanent niche it has carved for itself in the sector is well deserved. It has a crucial role to play in transformation of construction through its regulatory framework and support for emerging businesses,..."

# **Thulas Nxesi**Minister of Public Works

31 July 2018

## MINISTER'S FOREWORD

As a public enterprise whose work is pivotal to the development of a truly professional construction industry that can hold its own across the world, while taking advantage of global opportunities, the CIDB shoulders great responsibility. The tone of this Annual Report, and those that have gone before, demonstrates that it takes this role extremely seriously.

In my budget speech of 2018, I committed myself and my department to working closely with entities in the public works jurisdiction to provide policy leadership to the wider construction and property sectors. With the CIDB, my focus will be predominantly on quality assurance and empowerment.

I have watched the organisation grow in stature over many years and have no doubt that the permanent niche it has carved for itself in the sector is well deserved. It has a crucial role to play in transformation of construction through its regulatory framework and support for emerging businesses, and it is fully committed to accelerating the pace of transformation in the interests of individuals, the industry and the country. Its role will only grow in prominence as the call for meaningful transformation becomes louder.

Great strides were made in various areas during the tenure of the previous Board, which relinquished its authority in January 2018. Its members demonstrated their dedication to the institution over three years, providing valuable strategic leadership and guidance and honest, straight-talking counsel when it was needed. I thank all the members for their dedication to the objectives of the CIDB and for contributing their time and skills to ensure that the organisation performed to the best of its ability.

A new Board has taken office and I am confident that, with its mix of knowledge and expertise, it will guide the entity through the period ahead, which will be a time of change for the good. A new organisational design will be implemented to strengthen each rung of the cidb ladder and capacitate it adequately to respond to the demands of an industry under pressure and meet stakeholders' service expectations.

Construction will remain a mainstay of the South African economy and the CIDB will remain a mainstay of construction. As such, it will enjoy the full support of all at the Department of Public Works through the continuation of our long-standing relationship founded on the shared vision of a transformed, professional and effective construction industry that is an asset to the country and an example of excellence to the global community.



"I am honoured to present this, my first cidb annual report as chairperson of the Board. Having enjoyed a long-standing relationship with the South African public infrastructure sector in various capacities, I truly appreciate the crucial role played by the cidb over many years."

Nonkululeko Sindane

Chairperson 31 July 2018

The cidb operates in a demanding environment. Construction is not growing, which hampers its ability to be one of the country's engines for job creation, and is hampering transformation and development of the industry. The construction industry shed 115 000 jobs in the formal and informal sectors in 2017, and employment levels have declined from those that were achieved in around 2015. Profit margins of contractors and the consulting profession are under pressure, and we have seen at least three large contractors go into liquidation or business rescue. Transformation of the medium and large contracting sector is not being achieved.

Nevertheless, economists generally predict that there will be an upturn in the not-too-distant future. Construction spend is predicted to continue to decline in 2018, but to grow by 1.9% in real terms in 2019. So the tide is turning, albeit at a slow rate. Any recovery, though, is welcome as it will bring with it renewed emphasis on infrastructure development, which in turn will contribute to the economic growth of our country.

#### New Board

My fellow Board members and I started our tenure in January 2018. Although most of us had watched this key institution's development from afar over the years, we now have the opportunity to scrutinise every aspect of it from newly acquired front row seats. We noted its achievements and progress without glossing over its shortcomings and ongoing challenges, and we assessed what would be needed to see it do justice to the role it was born to play 17 years ago.

#### Performance environment

Whilst tasked with leading the cidb forward, the Board has to also oversee the ongoing operations and the performance of the organisation.

As highlighted in this Annual Report, the Board published two best practice standards in 2017, which encourage better practice in the industry. The Minister published draft regulation amendments to give effect to the cidb Project Assessment Scheme for public comment in 2017, which also paves the way for the cidb Best Practice Fee. The cidb also continued to publish its quarterly cidb SME Business Conditions Survey, the Quarterly Monitors on Supply and Demand, Transformation, Employment and Contractor Development. The cidb also published a report on Red Tape in Public Sector Procurement of Construction.

However, at a more detailed and operational level and aligned to its Annual Performance Plan, the cidb achieved less than 40% of its performance targets. While there are several contributing reasons for this poor performance, leadership stability has been a key contributing factor with no permanent CEO since March, 2015 and a leadership structure filled by executives in acting capacities. The Board has identified the performance of the organisation as an area of significant concern, and is implementing tight monitoring and remedial measures.

#### Organisational redesign

One of the first tasks the Board focused on was finalising the organisational restructuring, which had been initiated during the term of the previous Board and which highlighted gaps in human capacity and skills.

The organisational redesign is now nearing completion, and we recently received Ministerial approval to fill the top positions in the organisation. The positions of Chief Executive Officer and Chief Financial Officer have been advertised and we expect appointments to be made before the end of the financial year.

The Board has a responsibility to create a fully functioning cidb structure of permanent executives and employees. Realistically, we know it will take time, but only when it is complete can the organisation be effective in fulfilling the goals it has set for itself.

#### Financial management

We are satisfied with the financial management systems and controls in place and have established a finance committee to deal with medium to long term strategic issues and to ensure that the funds the cidb has – although limited – are expended wisely for maximum impact. The committee will endeavour to also spearhead the identification of much-needed additional revenue streams – within the confines of the cidb's mandate.

Accommodation of the cidb poses a challenge in that the cidb currently leases accommodation from the South African Bureau of Standards for a 12-month period. This situation is mirrored in most of the provinces, in which the cidb provincial offices are located together with provincial



"We are satisfied with the financial management systems and controls in place and have established a finance committee to deal with medium to long term strategic issues and to ensure that the funds the cidb has – although limited – are expended wisely for maximum impact."

departments of Public Works. The Board has directed that efforts must be made to secure space that is modern, secure, built on sound environmental principles and conducive to productivity.

#### Operational environment

The cidb is establishing itself as a modern information and communications technology-powered organisation with strong online presence, in keeping with the demands of modern business. Our operations require a speedy, efficient and accurate registration service. There is a need for additional capacity in the information technology (IT) department and the appropriate policies, systems, hardware and software. The position of Chief Information Officer has been advertised, and the Board will oversee that a capable person is appointed to take this important area forward.

One of the major elements of the cidb's mandate is to determine and establish best practice, and to publish best practice standards and guidelines. The organisation continues to apply itself in this area, crafting and publishing best practice standards and guidelines duly consulted on to assist the industry in areas as diverse as green buildings, enterprise development and skills development. Since many of these are still in their early stages of implementation, it is too early to judge their effectiveness, but we will continue to monitor this aspect of the cidb's work, as it encapsulates the reason for the cidb's existence.

The Board will continue to provide a fit-for-purpose regulatory framework for the sector and to strike the necessary balance between over-regulation and under-regulation, neither of which is judicious.

Of extreme concern is the emerging trend by business forums to demand access to construction contracts, often using threats of violence, which is a challenge on an industry already constrained by lack of growth. This is a problem that government and the entire industry must address urgently. In this volatile environment, workable solutions are needed.

For its part, the cidb, needs to maintain a strong relationship with its stakeholders and to engage and to communicate at all levels. Structures are in place for stakeholder engagement, and new opportunities are continually being developed. In difficult economic times, there often tends to be disengagement and we must work harder to sustain the engagements that will drive inclusive growth.

Of course, the cidb cannot achieve many of its objectives on its own – and works in partnership with other stakeholders. Here I refer specifically to transformation, which is no longer crucial, but critical. This Annual Report outlines activities being undertaken to promote transformation, but the cidb is increasingly of the view that regulation must become a bigger driver in transformation. The cidb will strengthen its relationships with key stakeholders to achieve the transformation that is desired.

#### Governance

The cidb is fortunate to have Minister Thulas Nxesi in its camp, as he has served in this capacity for many years and understands the challenges dogging public sector organisations. In his budget speech earlier this year, the Minister reiterated his commitment to professionalising the organs of government to strengthen service delivery and stated that he will work closely with them to provide policy leadership to the wider construction and property sectors, mentioning the cidb and its focus on quality assurance and empowerment.

The Board is effective, with the requisite mix of skills, expertise and governance acumen to make a tangible difference to the organisation and its journey.

The Board, in strengthening the executive leadership of the cidb, seeks to enable it to satisfy the expectations placed on it in the following strategic areas:

- · Inclusive, growing construction industry
- Reputable regulation
- Innovative and thriving construction environment
- Working in alliance
- Sound corporate governance

#### **Acknowledgements**

My appreciation goes, firstly, to the Honourable Minister Thulas Nxesi and his team for policy guidance and willingness to work with the cidb. This commitment from the highest executive is most encouraging and the Board looks forward to forging a close working relationship with the ministry.

To my fellow Board members, your eager first steps on this expedition to a revitalised cidb bodes well for the success of our term. My thanks also go to cidb stakeholders in general, including government, business and labour for bringing your expertise to the table. Also, thanks to the members of organised labour within the cidb for ensuring that the employee interests are represented.

To the cidb team, thank you to every single employee – executive, manager, supervisor and administration officers. Despite challenges, you showed diligence, resilience and commitment to providing services to the industry, and this



is truly appreciated. Your jobs over the last couple of years have not been easy, yet all signs point to you having gone beyond the normal call of duty to compensate for lack of capacity and time. That is most admirable.

We are confident that, with the capacitation plans, the cidb's diligence in creating standards and regulations in the industry's best interests and an unwavering commitment to transformation, the cidb will enhance its role in the construction industry and in socio-economic development.

For the cidb, perhaps the most profound words to come out of President Cyril Ramaphosa's state of the nation address earlier this year were not the ones most quoted in the media, but the following ...

'We are one people, committed to work together to find jobs for our youth; to build factories and roads, houses and clinics; to prepare our children for a world of change and progress; to build cities and towns where families may be safe, productive and content.'

As the President has undertaken to assemble a team to speed up implementation of new projects, particularly water projects, health facilities and road maintenance, may these words – and the ideal society they convey – ring true.

In conclusion, I would like to repeat the words of the late Stella Sigcau, then Minister of Public Works, quoted in the cidb's first annual report, in 2002:

"The construction industry is a national asset in the ongoing South African effort towards delivery and transformation The cidb's purpose is to ensure that the construction industry develops to its full potential... Of course the ability of the cidb to make an impact will depend on the commitment and action of all of us."

These sentiments are as relevant today as when they were spoken.

Let us all ensure that the cidb continues to make the impact it set out to do all those years ago.

# **BOARD MEMBERS**































"Worldwide, the economy is groaning, but unfortunately, not under the weight of scaffolding for new construction projects.

Not right now, at least."



**Ebrahim Moola**Acting Chief Executive Officer
31 July 2018

## **CEO'S REPORT**

While not quite as resilient in a downturn as its global counterparts, developments in the political arena give new hope for an economic recovery for South Africa. Africa remains an attractive proposition for its infrastructure creation potential, as a developing economy.

This can only be positive for the construction industry. Last year infrastructure spend contributed 11% to the country's GDP, according to SA Reserve Bank, which brought a glimmer of hope in a year in which confidence in South Africa's construction industry plummeted to 17-year lows, as stated in the FNB Bureau of Economic Research Civil Confidence Index.

The adjusted budget announced earlier this year also packed an unpleasant punch in a 12% decrease in spending allocated to public-sector infrastructure over the next three years, to R834.1 billion. This, according to National Treasury, is likely to delay the start and completion of a number of large infrastructure projects. However, the medium- and long-term prospects for the economy are favourable. And, by virtue of its integral role in creating jobs, driving economic growth and providing solutions to social, climate and energy challenges, construction should flourish. Given its links with other sectors, the impact of its growth will go well beyond construction activities.

#### **Progress**

The cidb, in spite of severe capacity constraints, continued to make good progress in core areas, not least in the amendments to the Construction Industry Development Regulations of 2004, which were released for public comment just after year-end, the culmination of a long development process. The amendments promise significant benefits for contractors.

The changes were initially mooted after downgrading was raised numerous times by contractor associations and individual contractors during cidb stakeholder forums as a hindrance to competitiveness.



We acknowledged that contractors were being downgraded due to factors beyond their control, such as the poor business climate and limited construction activity in a region, and determined that downgrades for first-time renewals should be halted.

The amendments will also impact on the best practice fee, adjust tender value limits to restore market share to registered contractors where the value of work was eroded through inflation, amend the registration renewal criteria to address downgrading and remove the duplication between cidb i-tender and National Treasury's eTender services.

Contractors will benefit particularly from the extension of the track record period for first-time renewals from five to six years, and the removal of annual turnover and available capital as requirements for this category of renewals.

The momentum of our monitoring activities was maintained through the year, with Construction Monitors being published on transformation, employment and business conditions. These publications remain an invaluable resource for the industry, as they provide insights on which strategic business decisions can be taken and action plans developed.

#### **Performance**

For reasons explored in the Chairperson's report, the cidb's performance results suffered in the 2017/18 year, with a total achievement rate of lower than 40%.

During the year under review, there were 63 key performance indicators detailed in the Annual Performance Plan (APP). Of these, two targets were duplicated and 13 indicators did not specify targets to be measured for the year. Consequently, 50 targets were measurable, only 18 of which were achieved.



"... by virtue of its integral role in creating jobs, driving economic growth and providing solutions to social, climate and energy challenges, construction should flourish."

The breakdown of performance per programme was as follows:

Programme	Number of targets	Achieved	Not achieved	Indicators with no targets
1. Administration	24	8	16	0
2. Regulation and Advocacy	16	4	8	4
3. Development and Capacitation	12	2	4	6
4. Industry Performance and Transformation	11	4	4	3
Total	63	18	32	13

The main reasons for poor performance range from internal efficiencies and inadequate project management to unrealistic targets and, to a lesser extent, misalignment of the indicator, the target and the actual achievement.

The root of these problems is prolonged leadership instability. Acting arrangements at senior levels are never conducive to a coherent, focused approach to business. Continuity and certainty at executive level are to be diligently nurtured, as they translate to commitment to the target setting and performance monitoring process.

In response to the year's lack of achievement, a detailed three-year recovery action plan has been drawn up to get the organisation back on an even keel and fully equipped to play its integral role in the South African construction industry. The plan, which spans 2018/19, 2019/20 and 2020/21, intends to systematically raise, through enhanced monitoring, the performance of the organisation to an achievement level of above 80% of its targets.

To steer the plan to success, progress against each objective will be monitored monthly and intervention strategies employed if early signs point to non-achievement of a target at the end of any quarter. A risk identification exercise will be undertaken on all projects identified in the 2018/19 APP and targets will be included in performance agreements. A performance management culture will be promoted at all levels throughout the organisation, and performance reviews will be overhauled to include meeting of targets.

The cidb's annual performance objectives are in line with the five-year strategic planning period ending on 31 March 2020, which is the end of the second year of the recovery plan. Thus the strategic planning process must be improved to address shortcomings in the current approved strategic plan.

With the recovery plan in place and the organisational design promising to deliver a reinforced platform for the cidb of the future, we can look forward to delivering more effectively than ever on our mandate and to providing superior service to our growing audience of stakeholders.

#### Conclusion

My heartfelt thanks go to the Board for taking to its new task so enthusiastically and determinedly. We are seeing the effects of the positive energy already and this augurs well for the next three years, and will set the cidb on a positive trajectory.

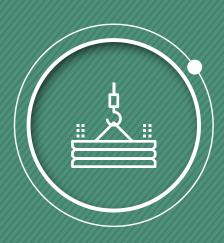
While the vital executive positions in the structure are being filled, we are confident that we can count on the Board to step into the leadership void.

To my colleagues and fellow team members, your dedication to duty in trying times has not gone unnoticed. Change is never easy, but I appreciate your willingness to keep an open mind. We will emerge from this re-engineering process stronger and better equipped than before to serve South Africa in the spirit that has always embodied the cidb – one of commitment to doing what is best for the industry and the nation.

Never underestimate the importance of the work you do in bringing professionalism and proficiency to an incredibly important industry. South Africa is richer for your efforts.

Finally, to all our stakeholders who make us what we are and make it all worthwhile, we are privileged to partner with you and support you in your contribution to the development of our great country.

Long may we all prosper.



PUBLIC SECTOR PROCUREMENT REFORM

## CONSTRUCTION REGISTERS SERVICE

The Construction Registers Service is made up of the Register of Contractors and the Register of Projects. The service has a centralised registration system for contractors wishing to tender for public sector construction projects in South Africa. It creates a uniform set of registration criteria, engendering greater efficiency in public procurement.

### Register of Contractors

The Register of Contractors grades and categorises contractors according to capability to carry out construction projects. The Register is compulsory for public sector clients to apply in the procurement of construction contracts. It:

- · Supports risk management in the tendering process;
- · Reduces the administrative burden of contract award;
- Reduces tendering costs to both clients and contractors;
- Enables effective access by the emerging sector to work and development opportunities; and
- Stores and provides data on size and distribution of contractors.

The cidb has made good progress in making the Register of Contractors' registration process more responsive and customer centric. Several initiatives were implemented during the year under review, including:

- An online customer satisfaction survey, through which the cidb contractors are able to provide feedback about the registration process. This enables the cidb to make quick and effective decisions to meet immediate needs, engage with industry bodies further to discuss longerterm solutions and prevent service delivery bottlenecks;
- A thorough review of internal systems and processes, and removal of registration sub-processes to improve registration turnaround time;
- Analysis of the assessment process, after which changes were implemented to improve the quality of service and perform mini audits on applications assessed; and
- A proposal for amending the grading criteria for the three-year renewal and adjusting the tender value limit to take inflation into account.

#### Moratorium on downgrading

During November 2017, the cidb Board resolved to extend the moratorium on downgrading to all grades. The number of contractors who have benefited from the moratorium across grades and classes of works is detailed in the table below.

#### Number of contractors that benefited from moratorium

Grading Designation	No of Beneficiaries
2	219
3	229
4	350
5	322
6	380
7	128
8	65
9	27
Total No of Beneficiaries	1 720

#### **Provincial registration**

The number of registrations processed across provincial offices varied significantly, with Gauteng and KwaZulu-Natal again the busiest provinces. Implicit in the assessment and review process is ensuring that the information submitted by contractors in dossiers used in day-to-day decision-making is comprehensive, complete and reliable. This involves ensuring that data is original, accurate, legible and correctly recorded.

During the year, with a halt to staff replacement and recruitment due to the organisational redesign, exacerbated by increasing numbers of contractor walk-ins, the provincial offices felt the pressure of having to meet contractor registration turnaround times.

However, through enhancements to customer relations management business application and commitment of staff, an improvement in turnaround times was achieved. Of 48 737 Grade 1 application received, 44 671 were processed within 48 hours, which is 2% lower than the 94% annual target.

Grade 1 turnaround time 1 April 2017 - 31 March 2018

		GRADE 1 – turnaround time 1 April 2018 – 31 March 2018											
	KZN	EC	FS	GP	Limp	Mpu	NW	NC	WC	Total			
Total number of Grade 1 applications processed	13 548	5 666	2 173	15 900	3 976	2 121	2 267	1 058	2 028	48 737			
Number registered within 48 hours	12 644	5 229	2 083	13 648	3 797	2 066	2 191	1 030	1 983	44 671			
Number registered outside 48 hours	904	437	90	2 252	179	55	76	28	45	4 066			
% within 48 hours	93%	92%	96%	86%	95%	97%	97%	97%	98%	92%			

### Register of Projects

The Register of Projects makes advertising of construction tenders and registration of construction awards on the cidb website mandatory. It:

- Gathers information on the nature, value and distribution of projects, and
- Provides the basis for a best practice project assessment scheme to promote the performance of public and private sector clients in the development of the construction industry.

It applies to public sector contracts from R200 000 in value, and private sector and major public entities' projects from R10 million in value.

The quarterly cidb Compliance Monitor provides indicators of the level of compliance and non-compliance with the Register of Projects by client bodies.

Among its indicators is a measure of the number of tender notices that are recorded on the cidb i-tender and contract awards registered on the Register of Projects. Low levels of tender notices translating into tender awards would be an indicator of non-compliance with the requirements to register projects on the cidb Register of Projects.

The ratio of tender notices that have translated into tender awards over the preceding four quarters at the end of the third quarter of 2017 is illustrated below by client entity category. It shows low levels of compliance.

# Tender awards compliance indicator (%) per four rolling quarters to end September 2017

Entity type	
District municipalities	21%
Local municipalities	25%
Metropolitan municipalities	15%
Municipal entities	45%
National departments	41%
Provincial departments	40%
State-owned enterprises	23%

Lack of compliance by clients is addressed through oneon-one interactions between the cidb and the client departments. The outcome of action taken against clients for non-compliance is reported to the auditor-general.



# INVESTIGATING NON-COMPLIANCE TO cidb PRESCRIPTS

During the year, the cidb investigated contractors and employers for alleged breaches of the cidb Code of Conduct for parties engaged in construction procurement. Infringements are identified through the registration process and from tips phoned in to the anonymous fraud hotline.

Regulation 28 of the Construction Industy Development (CID) Regulations, 2004 (as amended) requires the cidb to conduct a preliminary investigation into a complaint received in terms of the cidb Code of Conduct. The complaint can be about an action, an omission or suspected contravention of the Code.

Preliminary investigation is conducted to verify whether the cidb has jurisdiction to investigate the complaint or suspicion, and whether reasonable grounds exist for the complaint or suspicion. Formal investigation is conducted after the outcome of the preliminary investigation, to obtain evidence that will inform the action to be taken.

The table below reflects the number of cases received during the year and the progress made:

#### Investigations

Total number of cases reported	Number of cases carried over from previous year	Number of new cases	Number of cases finalised	Number of cases pending	Number of cases closed
58	42	16	4	6	3

Formal inquiries were instituted as indicated in the table below:

#### Formal inquiries

Total number of formal inquiries	Number of formal inquiries held	Number of formal inquiries pending due to postponement	Number found guilty	Number found not guilty	Number published on the website and Government Gazette
10	10	6	4	0	4

- **Total number of cases reported**: all cases in the financial year ended March 2018.
- Number of cases carried over from previous year: all cases where investigations were not finalised in the year ended March 2017.
- **Number of new cases:** all new cases reported in the financial year ended March 2018.
- **Number of cases finalised:** all cases investigated and completed in the year ended March 2018.
- **Number of cases pending:** all cases that were being investigated and the investigation was not completed in the year ended March 2018.
- Number of cases closed: all cases that have been investigated and finalised.
- **Total number of formal inquiries:** all cases that had to go through formal inquiry in the year ended March 2018.
- Number of formal inquiries held: all the formal inquiries that took place in the year ended March 2018.
- Number of formal inquiries pending due to postponement: all formal inquiries that took place, but were not completed in the year ended March 2018.
- **Number found guilty:** all formal inquiries that were held and finalised in the year ended March 2018.
- **Number found not guilty:** all formal inquiries held and finalised in the year ended March 2018.
- Number published on the website and Government Gazette: all formal inquiries held and found guilty, then gazetted in the year ended March 2018.

#### Non-compliance

The table below gives a comparison of non-compliance over two years:

Complaint	2016/17 (total: 93 cases)	2017/18 (total: 58 cases)			
Track record	21	22			
Contractual disputes	5	6			
Annual financial statements	3	3			

Most complaints relate to allegedly fraudulent track records, a trend that is attributed to contractors' desperation for work. The cidb continues to reach out to stakeholders in their communities through roadshows and forums that highlight the issue of fraud, and it also operates a confidential fraud hotline that is proving popular in the industry.

Transgressing contractors are fined and the sanctions gazetted to discourage others from considering fraudulent activities.

Efforts were hampered to an extent during the year under review by the delays in the appointment of investigating officers.

"In order to build our nation, we must all exceed our own expectations" – Nelson Mandela



# STANDARDS FOR PERFORMANCE IMPROVEMENT

## STANDARD FOR CONTRACTOR COMPETENCE

During the year, the cidb started the rollout of the Standard for Contractor Competence by undertaking 87 assessments of prior learning (APLs) on contractors who were exiting from contractor development programmes. The APLs are exit level assessments prescribed by the cidb National Contractor Development Programme (NCDP) guidelines for all provincial programmes.

Where a contractor or his/her nominated representative does not hold the required minimum formal qualifications, an APL can be undertaken to assess a contractor's knowledge, skills and experience against the requirements of the cidb Competence Standard for Contractors.

During the year, 110 written assessments were performed to support the screening of contractors for entry into the Gauteng Department of Transport and Roads contractor development programme. Following this, 36 APLs were conducted on the selected contractors to identify their training and development needs and tailor-make interventions to address them.

The three-year development programme is also targeting 36 learner supervisors. This is the first formalised contractor-development relationship with a client in line with the NCDP.

Apart from the initial assessments, the cidb will assess the contractors and learners on their exit from the programme. Contractor development programme assessments were also conducted during the year in all provinces. In terms of the NCDP framework, contractors should exit the contractor development programmes (CDPs) after the agreed period specified in the CDP business plan. Generally this is no longer than three years.

To graduate, contractors should be re-evaluated and meet the requirements for the cidb Contractor Competence Standard and upgrading to a higher cidb grade.

During the year under review, 75 exit assessments were conducted in all provinces, with contractors assessed on their works management competence (WMC) and business management competence (BMC).

Province	Number of contractors assessed	Proficient in WMC	Proficient in BMC	Overall competent	Overall competent in %
Eastern Cape	9	4	5	4	44
Free State	12	7	10	8	67
Gauteng	6	5	5	5	83
KwaZulu-Natal	6	4	6	4	67
Limpopo	11	8	8	8	73
Mpumalanga	11	7	0	0	0
Northern Cape	5	4	1	1	20
North West	8	5	6	4	50
Western Cape	7	7	7	7	100
Total	75	51	48	41	55

More than 50% of contractors assessed met the requirements of the cidb Competence Standard. Training gaps identified will be addressed in 2018/19.



# MONITORING INDUSTRY PERFORMANCE

The cidb continues to monitor and evaluate the performance of the industry to provide a base for a detailed understanding of the development of the industry.

## **TRANSFORMATION**

The pace of transformation in the construction industry shows little signs of improvement, according to the 2017 cidb Construction Monitor: Transformation. The Construction Monitor draws on information from the cidb Register of Contractors, Register of Projects and the Consulting Engineers South Africa (CESA) Bi-Annual Economic and Capacity Survey.

Among the key findings of the monitor were:

 The number of black executives in consulting engineering companies as a percentage of the total number of black executives increased from 30% in the second quarter of 2014 to 37% in the second quarter of 2017;

- · Fewer than 40% of large contractors are black-owned;
- Around 30% of contractors are woman-owned, and there is a steady increase in the number of medium and large female-owned contractors;
- Only 36% of large contractors and 48% of mediumsized contractors are at BBBEE level 1 or 2; and
- Black-owned contractors access about 54% of public sector contract awards and women-owned contractors around 25%.

Grades 6 - 9 contractors with +50% black ownership at October 2017

Grade	Civil Engineering (CE)		Engineering Engineering		Electrical Engineering (Infrastructure) (EP)		General Building (GB)		Mechanical Engineering (ME)			Other Specialist (SW)						
	Т	В	%	Т	В	%	Т	В	%	Т	В	%	Т	В	%	Т	В	%
6	970	815	84	93	64	69	247	182	74	835	732	88	207	131	63	176	130	74
7	599	474	79	54	34	63	150	108	72	481	401	83	112	67	60	99	62	63
8	220	156	71	11	7	64	47	26	55	181	127	70	52	27	52	38	21	55
9	98	48	49	3	1	33	29	14	48	59	34	58	37	16	43	15	6	40
Total	1 887	1 493	79	161	106	66	473	330	70	1 556	1 294	83	408	241	59	328	219	67

**T**= Total **B**=Black

# **BUSINESS CONDITIONS**

## **EMPLOYMENT**

The cidb/BER SME Business Conditions Survey records business conditions across cidb grades 2 to 8 general building and civil engineering contractors, measuring aspects such as business confidence, building activity, tendering competition and growth in numbers of people employed.

The survey published in the first quarter depicted a continuation of harsh business conditions for both general building and civil engineering, which is likely to continue, due partly to insufficient demand for building and construction work.

Stats SA GDP growth statistics for end-December 2017 reinforced this outlook, showing a fourth consecutive decline in output in the construction sector. The outlook for activity in both sectors is further clouded by the government budget for 2018, where 47% (or R39.7 billion) of the R85 billion in spending cuts is to infrastructure grants to provincial and local government.

The unemployment rate in South Africa stands at 27.7%. The construction industry, which is an important player in job creation, not only in the construction sector but in other sectors of the economy, shed 140 000 jobs between the first and third quarters of 2017 as a result of the pressure that construction is under, which is borne out by the Stats SA GDP statistics that show that the construction industry contracted by 0.8% and 0.5% quarter-on-quarter in the first and second quarters of 2017, respectively.

The cidb remains conscious of the loss of jobs in the sector, which is due, to a great extent, to underspending on infrastructure projects by municipalities and provincial authorities.

The organisation is looking to identify areas in which it can provide support to under-resourced local authorities and to government departments in areas such as supply chain management to improve efficiencies and flow of work through the system.

# CONTRACTOR DEVELOPMENT

The Construction Monitor: Contractor Development Report published at the end of June 2017 shows the annual upgrading of contractors in general building and civil engineering as around 4% to 6% a year for Grade 1, around 15% to 18% for grades 2 to 6 and about 6% in grades 7 and 8.

The table below gives a comparison of contractor development across ownership categories.

	% Contractor upgrades							
Grades	All	Black (51%+)	Woman (51%+)					
7 and 8	21%	22%	19%					
5 and 6	28%	29%	27%					
2 to 4	28%	28%	26%					

The percentage of black-owned contractors that have upgraded over the past three years is slightly higher than the total population norm, which probably reflects, among other reasons, the impact of preferential procurement.

## RED TAPE

In its annual report, the World Bank compares South Africa with 190 other countries in terms of ease of doing business. The report ranked South Africa 73 in 2016, 74 in 2017, and 82 in 2018. World Bank surveys show that it is actually becoming more difficult to do business in South Africa.

Focusing on the construction industry, the cidb undertook a study during 2017/18 titled 'Reducing red tape in the procurement of public sector construction'.

The study revealed that the largest negative general business impacts on contractors and professional services providers (PSPs) are:

- · Public sector capacity and process constraints, and
- General business environment constraints (including lack of access to work opportunities and delayed payments) and corruption.

Contractors (specifically small and medium contractors) said that while cidb registration criteria were themselves not a significant barrier to doing business, the poor quality and inefficiencies in the cidb registration process were affecting the contracting sector negatively.

PSPs, however, identified that the cidb contractor grading system is having a negative impact on public sector procurement. Specifically, the cidb grading system does not give an adequate indication of a contractor's ability to undertake a construction works contract.

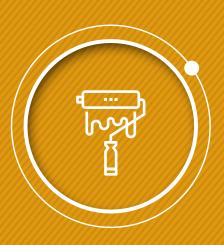
The study concluded that reducing red tape in construction must focus on:

- · Public sector capacity and process constraints;
- General business environment constraints (including access to work opportunities, fraud and corruption);
- · A review of the cidb grading criteria; and
- Enhancing the cidb registration process.

The cidb is addressing many of these issues currently.



"We understand it still that there is no easy road to freedom. We know it well that none of us acting alone can achieve success. We must therefore act together as a united people, for national reconciliation, for nation building, for the birth of a new world." – Nelson Mandela



PROMOTING INDUSTRY COMPETITIVENESS

## **EXPORT OF CONTRACTING SERVICES**

In March 2017, the scope of the Built Environment Professions Export Council (BEPEC) was broadened to extend the following membership benefits to contractors:

- · Easier access to trading and project opportunities;
- Removal of trade barriers such as working and registration requirements, financial regulations, logistical problems and payment transfers;
- Creation of consortia of combined disciplines and expertise for competitive bidding on projects, including funding and facilitation of government-to-government interaction if required;
- Early intelligence reporting of upcoming projects and opportunities in Africa;
- Exposure to project funding opportunities through 'Show me the money' workshops;
- Invitations to 'Show me the projects' workshops to gain an understanding of strategies to access markets and projects;

- Participation in special sector and project-focused outward selling missions (OSMs) and investment and trade initiatives to countries, projects and development funding institutions; and
- Access to business facilitating agencies in targeted countries.

During the year under review, the cidb participated in three OSMs organised by the dti, to support participating contractors. These were in:

- Kenya (Nairobi) 25 to 28 June 2017;
- Tanzania (Dar es Salaam) 28 to 30 June 2017; and
- Ghana and Nigeria 18 to 24 March 2018.

These OSM business delegations included industry associations, export councils and business leaders from various sectors.



## PROJECT ASSESSMENT SCHEME

During the year under review, the following standards were published in terms of the cidb Project Assessment Scheme:

- The cidb Standard for Contract Participation Goals for Targeting Enterprises and Labour through Construction Works Contracts;
- The cidb Standard for Minimum Requirements for Engaging Contractors and Subcontractors on Construction Works Contracts;
- The cidb Standard for Indirect Targeting for Enterprise Development; and
- The cidb Standard for Developing Skills through Infrastructure Contracts.

The Standard for Contract Participation Goals for Targeting Enterprises and Labour through Construction Works Contracts helps clients to implement uniform and standardised contract participation goals, and to set and implement conflict resolution mechanisms in contracts that specify contract participation goals.

The Standard for Minimum Requirements for Engaging Contractors and Subcontractors on Construction Works Contracts helps clients to set uniform and minimum requirements in the appointment of principal contractors and subcontractors. The Standard requires:

- Principal contractors and subcontractors to comply with the Compensations for Occupational Injuries and Disease Act (COIDA) and registration with bargaining council(s), if any, in terms of Part C of the Labour Relations Act 66 of 1995, as amended;
- The principal contractor and the subcontractor to have a written contract using the latest edition of one of the forms of contracts identified in the Standard;
- The date on which payment to the subcontractor becomes due and payable to be no later than 30 days after the date on which the subcontractor has submitted a statement or a claim for payment to the principal contractor; and

 The contract between the principal contractor and subcontractor to have no 'pay-when-paid' provisions making payment to a subcontractor conditional on the principal contractor receiving payment from a third person, for construction contracts of more than R40 million.

#### Best practice fee:

In December 2017, draft regulation amendments to give effect to the cidb Project Assessment Scheme were published for public comment.

The amendments provided for a 'best practice fee' of 0.2% of the value of the project to be collected by the cidb, for use primarily to provide development support to the industry. The Project Assessment Scheme will be rolled out during 2018/19, and additional standards will be incorporated into it through further regulation amendments.

Five standards on which the cidb worked during the review year are:

- Standard for Health and Safety Management Plans for the development of health and safety specifications and plans to be used on construction works contracts, and for standard procedures for the approval and sign-off of the health and safety specification and plan by the client;
- Standard for Primary Healthcare Assessments for primary healthcare assessment of construction workers;
- Standard for Prompt Payment for remedial measures for contractors due to delayed payments;
- Standard for Professional Service Provider Performance Reports for Professional Services – for a consistent method of assessing the performance of a PSP on time and resources management, cooperative relations and standard of service; and
- Standard for Adjudication model adjudication procedures for use on construction projects.

These standards are due to be released for public comment during 2018/19.



STAKEHOLDER ENGAGEMENT

## WORLDSKILLS

It's billed as the 'world's greatest skills show' and, with the cidb a major proponent of the importance of skills to professionalism, a show with which it is proud to be associated.

Following a hard-fought regional and provincial battle for top honours, Mihle Mvelakubi, a Building and Civil Engineering National Certificate Vocational Programme Level 3 student at Northlink College in the Western Cape, was chosen to represent South Africa at the 2017 finale of the biennial WorldSkills International Competition in Abu Dhabi in October 2017, in his chosen trade of bricklaying. The cidb sponsored Mvelakubi through the preliminary rounds of the competition up to the final. This was the first time construction sector trades were represented in this prestigious competition.

The cidb's participation reflects its efforts to improve the quality of training at technical and vocational education and training (TVET) colleges and to improve South Africa's placement in the WorldSkills International Competition. The cidb sponsored TVET college lecturer from Majuba TVET College, Rishi Durgadin's participation as an expert observer. Durgadin is currently the provincial expert for KwaZulu-Natal and is also working with the cidb in preparation for the college, provincial and national competitions in the run-up to the next WorldSkills competition, in Kazan, Russia in 2019.

The cidb left Abu Dhabi determined to harness new-found relationships with national, regional and international role-players to enhance training programmes and promote increased awareness and participation levels among learners at TVET colleges.



Mihle Mvelakubi - South African contestant in bricklaying at WorldSkills International Competition 2017, in Abu Dhabi

# MILESTONE POSTGRADUATE CONFERENCE

In line with the part of its mandate that tasks it with promoting construction industry research, the cidb lent its name to a postgraduate conference that has grown in both participant numbers and stature over 15 years.

The year 2017/18 saw the milestone 10<sup>th</sup> staging of the cidb Postgraduate Conference, with the theme 'Towards a better route to enhanced productivity, performance, and transformation of construction'.

The conference remains true to its original aim to strengthen construction industry performance and transformation through engagement on research and to:

- Provide a forum for multidisciplinary interaction between academics and practitioners;
- Provide an internationally recognised and accredited conference;

- Disseminate groundbreaking and cutting-edge practices; and
- · Contribute to the built environment body of knowledge.

Issues in the spotlight during the 10<sup>th</sup> running of the prestigious event included transformation, innovation and new methods of studying old problems, and ethics, particularly pertinent given the current tsunami of fraud and corruption.

When the conference debuted in 2003, 34 scientific papers were approved for tabling. By 2018, this had reached 58, with papers being submitted not only from South Africa, but from Africa, Israel and the United Kingdom.

## **WORK-READY GRADUATES**

The misalignment between institutional learning and workplace requirements has been well documented in South Africa in recent years, with the country producing graduates largely unprepared for the world of work.

Faced with a youth unemployment rate of 38.6% and the reality that, with one year's work experience, graduates are six times more likely to secure employment, the cidb has put its weight behind a National Business Initiative programme to provide workplace-based learning for 60 civil engineering and building construction graduates sourced from TVET colleges in Gauteng. The move is in line with

its skills development mandate and its important roles in the advancement of emerging contractors and industry transformation.

TVET colleges have been flagged by the government as a priority sector to drive inclusive economic growth and reduce youth unemployment.

The cidb is providing leadership and advice on construction skills development. The organisation has also pioneered a learner management system to track the performance of candidates during placement and for up to a year thereafter.

# **HUMAN RESOURCES**

#### Recruitment and selection

Recruitment of new staff to fill vacant positions has been put on hold pending the approval of the organisational structure. To maintain service delivery levels in the interim, candidates are being sought for crucial vacancies in the old structure and the macro-structure. The redesign of the organisational structure advanced to the final consultation process during the year under review.

#### cidb employment equity demographics

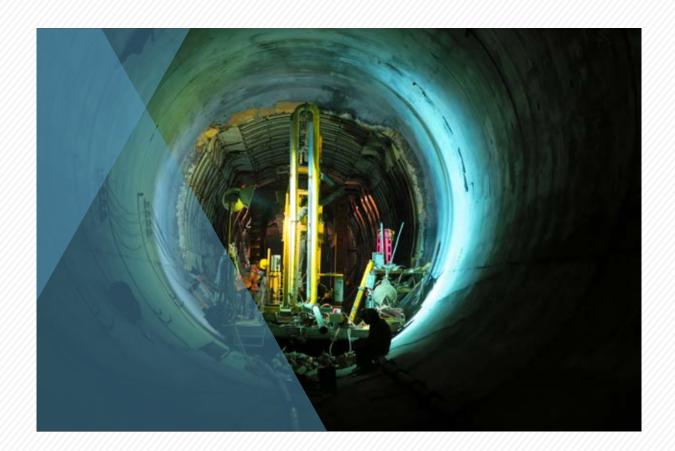
Occupational Levels		Male		Female			Foreign Nationals		Total	%		
	Α	C	- 1	W	Α	C		W	Male	Female		
Top management	0	0	0	0	0	0	0	0	0	0	0	0%
General management	0	0	1	1	0	0	0	0	0	0	2	1.17%
Senior management	6	1	0	0	3	0	0	0	0	0	10	5.85%
Professionally qualified and experienced specialists and mid-management	11	0	2	1	3	0	0	1	0	0	18	10.5%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	15	0	1	0	21	1	0	1	0	0	39	22.8%
Semi-skilled and discretionary decision making	21	2	0	1	47	4	1	3	0	2	81	47.4%
Unskilled and defined decision making	0	0	0	0	1	0	0	0	0	0	1	0.58%
TOTAL PERMANENT	53	3	4	3	75	5	1	5	0	2	151	
FIXED-TERM CONTRACT	8	0	0	0	9	0	0	0	0	0	17	9.94%
Employees with disabilities	0	0	0	0	1	0	0	0	0	0	1	0.58
Temporary employees	0	0	0	0	2	0	0	0	0	0	2	1.17%
GRAND TOTAL	61	3	4	3	87	5	1	5	0	2	171	100%

**A**= African **C**=Coloured **I**= Indian **W**= White

### **Employee relations**

## Misconduct and disciplinary actions

Written warning	0		
Final written warning	1		
Dismissals	0		
CCMA resolved cases	3		
Labour Court case	1 (resolved)		



# ANNUAL FINANCIAL STATEMENTS



# CONTENTS

GENERAL INFORMATION	3
STATEMENT OF RESPONSIBILITY	3
CORPORATE GOVERNANCE REPORT	3
AUDIT, RISK AND GOVERNANCE REPORT	4
ACCOUNTING AUTHORITY'S REPORT	4
REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF FINANCIAL PERFORMANCE	5
STATEMENT OF CHANGES IN NET ASSETS	5
CASH FLOW STATEMENT	5
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5.
ACCOUNTING POLICIES	5
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	6

# **GENERAL INFORMATION**

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
REGISTERED OFFICE	Block N, R & Z, SABS Campus 2 Dr Lategan Road Groenkloof, Pretoria 0027
POSTAL ADDRESS	PO Box 2107 Brooklyn Square Pretoria 0075
BANKERS	Standard Bank of South Africa Limited Investec Limited
AUDITORS	Auditor-general South Africa
SECRETARY	First Corporate Secretaries Proprietary Limited



### STATEMENT OF RESPONSIBILITY

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is 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 accounting authority to ensure that the Annual Financial Statements fairly present the state of affairs of cidb as at the end of the financial year and the results of its operations and cash flows for the period then ended. The auditor-general South Africa is engaged to express an independent opinion on the Annual Financial Statements and is given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with 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 judgments and estimates.

The accounting authority acknowledges that it is ultimately responsible for the system of internal financial control established by cidb and place considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner.

These 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 cidb and all employees are required to maintain the highest ethical standards in ensuring cidb's

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

The accounting authority is 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 accounting authority has reviewed cidb's cash flow forecast for the year ending at 31 March 2019 and, in the light of this review and the current financial position, is satisfied that cidb has access to adequate resources to continue in operational existence for the foreseeable future.

The cidb is dependent on the Department of Public Works for continued funding and operations in executing its mandate of operations. The Annual Financial Statements are prepared on the basis that cidb is a going concern and that the Department of Public Works has neither the intention nor the need to liquidate or curtail materially the scale of cidb.

The Annual Financial Statements for the year ended 31 March 2018, set out on page 50 to 83, which have been prepared on the going concern basis, were approved by the accounting authority in terms of Section 51(1)(f) of the Public Finance Management Act No1 of 1999, as amended and are signed on its behalf by:

Nonkululeko Sindane cidb Chairperson

**Ebrahim Moola** 

Acting Chief Executive Officer

### CORPORATE GOVERNANCE REPORT

Corporate governance expresses the processes and systems by which corporates are directed, controlled and held to account. The cidb strives to achieve high standards of governance by embracing the four core values that underpin good governance, namely Fairness, Accountability, Transparency and Responsibility. In ensuring compliance to the principles of governance, a compliance programme has been put in place at the cidb to assess adherence to the principles of good governance and to identify areas that require regular improvements.

### 1. Accounting authority

The Minister of Public Works is responsible for appointing the Board at an interval of three years as per the cidb Act, 2000. The cidb's new Board was appointed in the period under review and its term of office started in January 2018. They are Ms Nonkululeko Sindane (Chairperson), Mr Mboniseni Dlamini (Deputy Chairperson), Mr Kennedy Maimela, Ms Malebo Matolong, Mr Danny Masimene, Mr Eric Manchidi, Ms Bongekile Zulu, Mr Mpendulo Ndlazi, Ms Thuthuka Songelwa, Mr Lufuno Nevhutalu, Dr Natalie Skeepers, Mr Denzel Maduray and Mr Sipho Mosai. The new cidb Board will serve a three-year term.

Mr Lufuno Nevhutalu, Dr Natalie Skeepers, Mr Denzel Maduray and Mr Sipho Mosai were retained from the previous Board to ensure continuity.

The Board is the accounting authority in terms of the PFMA and is obliged to comply with the fiduciary duties set out in the PFMA. The Board has a collective responsibility to provide effective corporate governance and strategic direction, which involves adhering to the principles of good governance, risk management and internal controls stipulated in the PFMA and Treasury Regulations.

The roles of the Board are as follows:

- Exercising leadership, enterprise, integrity and judgment in directing the cidb to achieve continuing prosperity, and to act in the best interests of the cidb, while respecting the principles of transparency and accountability;
- Determining the cidb's values and the strategy designed to achieve the cidb's purpose;.
- Retaining full and effective control of the Board and monitoring the cidb in implementing Board plans and strategies;
- Monitoring and evaluating the implementation of strategies, policies, procedures, processes, management performance criteria and business plans;

- Formulating, monitoring and reviewing corporate strategy, major plans of action, financial and risk management and internal control policies, appropriate procurement and provisioning systems, communications policy, annual budgets and business plans;
- Ensuring that the cidb complies with all relevant laws, regulations, government policies and codes of best business practice and communicates with its shareholder and stakeholders openly, transparently and promptly, with substance prevailing over form;
- Identifying the key risk areas and key performance indicators of the cidb, based on both financial and nonfinancial aspects, such as the socio-political and politicoeconomic expectations of the shareholder;
- Ensuring that technology and systems used at the cidb are adequate for the proper functioning of the cidb through the most efficient and cost-effective use of its assets, processes and human resources;
- Ensuring that the shareholder's performance objectives are achieved and that they can be measured in terms of performance of the cidb;
- Developing a clear definition of the levels of materiality or sensitivity to determine the scope and delegation of authority and ensure that the Board reserves specific powers and authority for itself. All delegated authority shall be in writing and shall be regularly evaluated;
- Ensuring that Board members are granted unrestricted access to accurate, relevant and timely information on the Board, and that they act on a fully informed basis, in the utmost good faith, with care, skill and diligence and in the best interests of the cidb, while taking the interests of the shareholder and other stakeholders into account:
- Managing potential conflicts of interest between the CEO, Board members and the shareholder and ensuring that any such conflicts of interest, or of independence, are regularly and expeditiously dealt with and resolved; and

 Maintaining the highest standards of probity, integrity, responsibility and accountability and ensuring that a fair balance is found between conforming to corporate governance principles and the performance of the cidb.

Furthermore, a Board Charter exists and is reviewed regularly.

#### 2. Governance

Corporate governance expresses the processes and systems by which the cidb is directed, controlled and held to account. The cidb strives to achieve the highest standards of governance by embracing and adhering to the legislative requirements and the PFMA, and adopting the principles of good governance contained in the King IV report.

### 3. Portfolio Committee

The Portfolio Committee of Public Works is responsible for exercising oversight over the service delivery of the cidb, which includes reviewing the financial and non-financial performance information of the cidb as it is contained in the Strategic Plan and Annual Performance Plan. The following meetings were held with the Portfolio Committee during the financial year:

Date of meeting	Purpose
4 October 2017	Annual Report
28 November 2017	Responding to Parliament's request on specific areas of focus
24 April 2018	Annual Performance Plan 2018/19

### 4. Executive Authority

The Minister of Public Works, as the Executive Authority of the cidb, plays a vital role in ensuring that the cidb operates within its legislative mandate. The Minister has power to appoint and dismiss the Board of the cidb in terms of the cidb Act. On an ongoing basis, the Minister monitors and evaluates the performance of the cidb through reports and interactions. During the year, the cidb submitted the following reports in compliance with the PFMA and Framework for Managing Programme Performance Information.

Date of submission	Purpose
30 July 2017	First Quarter Performance Report – 2017/18
31 August 2017	First Draft Strategic Plan and Annual Performance Plan
31 October 2017	Second Quarter Performance Report – 2017/18
30 November 2017	Second Draft Annual Performance Plan – 2017/18
30 January 2018	Third Quarter Performance Report – 2017/18
·	Final Annual Performance Plan

Commentary was issued on the pending lease agreement between the cidb and SABS (landlord), which resulted in the cidb seeking permission from the Executive Authority to procure its own building.

### 5. Risk Management

The oversight responsibility over the implementation of the cidb's risk management lies with the accounting authority, which has delegated its responsibility to the Audit, Risk and Governance Committee. Therefore, the Audit, Risk and Governance Committee reports formally to the accounting authority in terms of the cidb's risk management process. The cidb Executive Committee is responsible for implementing the risk management framework and techniques in its planning, operating and reporting activities. The cidb has identified all significant risks that may threaten the successful delivery of its mandate, mission and business objectives and has documented these in the corporate strategic register.

The process followed by the cidb in the risk assessment workshops is reflected below:

- · Identifying risks;
- Assessing risks;
- Prioritising risks;
- Managing risks; and
- · Communicating and monitoring risks.

The accounting authority actively participates in risk

and control monitoring and analysis by considering and reviewing the enterprise-wide risk profile and management environment. Effective risk management is the key to the cidb's success.

### 6. Audit. Risk and Governance Committee

The role of the Committee is to provide independent assurance and assistance to the Board on control, governance and risk management. The Committee provides the Board with prompt and constructive reports on its findings, especially when issues are identified that could present a material risk to the institution.

### 7. Internal Audit Function

The cidb has established the Internal Audit Function, which is currently fully outsourced to the independent audit firm. The role of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations. It assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit conducts its work following a risk-based approach in compliance with internal audit standards. The annual Internal Audit Plan and the three-year strategic rolling plan are approved by the Audit, Risk and Governance Committee.

### 8. Compliance with Laws and Regulations

The cidb does not have dedicated compliance function. However, systems, process and policies are in place to provide the Board with assurance of compliance to all laws. Ongoing reviews are performed by the internal and external auditors. The findings are reflected in the specific audit reports as and when issued at completion of audit assignments.

### 9. Fraud and Corruption

The cidb has zero tolerance towards fraud and corruption and all incidents and reasonable suspicions thereof are verified and investigated.

Appropriate legal recourse, to the full extent of the law, is taken against perpetrators, including:

- · Disciplinary action;
- · Institution of criminal proceedings;
- Recovery of losses; and

· Civil litigation.

The Anti-Fraud and Corruption Policy has been developed and is considered effective, as no incidents of fraud were detected in the year under review.

### 10. Whistleblowing

The cidb subscribes to the duty of protection and, to this extent, has invested in an anonymous reporting facility hotline, enabling and empowering employees and other stakeholders (such as contractors) to report incidents and suspicions without fearing victimisation and retribution of any kind. This independently managed facility provides a safe alternative to silence and offers various reporting media. Anonymity is guaranteed and the facility is managed in compliance with the Protected Disclosures Act, No 26 of 2000. Information on this reporting facility/whistleblowing hotline is available on the cidb website.

### 11. Ethics

The cidb continually strives to improve the morals and ethics of both its organisational environment and its own conduct. The Code of Ethics was developed and communicated to all employees as part of annual awareness sensitisation.

It is the responsibility of all employees to:

- Ensure that they act within their powers, in the interests of and for the benefit of the cidb;
- Carry out their duties with the skill and care expected from persons of their knowledge and experience; and
- Ensure that their conduct is always based on honesty, fairness, transparency and integrity.

Board members shall:

- Act jointly when discharging their responsibilities and no individual Board member shall have any authority to act, or to issue instructions on behalf of the Board, unless specifically authorised or requested by the Board to do so.
- Be jointly and severally accountable for all Board decisions taken and actions implemented;
- Exercise the same degree of care for and prudence about assets as they would exercise in their own personal affairs:
- Act in the best interests of the cidb, and exercise due care and diligence in discharging their duties as Board members; and
- Avoid and declare any potential conflicts of interest

with the cidb and to account for any advantages that are gained or could conceivably be gained through the discharge of their duties as cidb Board members.

A Board member who has a real or prospective interest in any of the businesses of the cidb shall declare such interest at a Board meeting as soon as the Board member becomes aware of such a specific interest.

On first appointment, and at every meeting thereafter, or at any time should circumstances have changed, all Board members shall, in good faith, disclose to the Board for recording, any business or other interest that may or is likely to create a potential conflict of interest between that Board member and the cidb, including:

- All business interests, direct or indirect, in any other organisation, partnership, business venture or enterprise;
- Membership of any trade, business or other economic or statutory boards;
- Shareholding, share options and/or other interests in conflict, whether direct or indirect, with those of the cidb;
- Any direct or indirect interest in any transaction with the cidb; and
- Any gifts, moneys, commissions, benefits or other favours extended or received, whether directly or indirectly, from any party in respect of or in relation to any dealings with the cidb.

Board members shall be entitled to have access to executive management and to the Chief Executive Officer /Company Secretary, for advice regarding the governance and procedures of the cidb. They shall affirm that they are committed to the pursuit of organisational integrity, and that all their dealings on behalf of the cidb will be conducted with the highest standards of corporate governance and integrity and that they will discharge their fiduciary duties to the cidb, the Executive Authority and to its stakeholders in an honest, ethical and transparent manner.

### AUDIT, RISK AND GOVERNANCE REPORT

We are pleased to present our report for the financial year ended 31 March 2018.

### Audit, Risk and Governance Committee Members and Attendance

The Audit, Risk and Governance Committee (ARGC) was operational during the financial year. The members listed below met as follows during the financial year:

Name of member	Number of meetings
Mr Lefadi Makibinyane (Chairperson)	4
Mr Sipho Mosai (Board member)	3
Mr Hareesh Patel (Board member)	2

In January 2018, the new Committee members were appointed to the ARGC. The new Committee comprises Mr Sipho Mosai (Chairperson), Mr Lufuno Nevhutalu (Member), Mr Mboniseni Dlamini (Member) and Dr Natalie Skeepers (Member). The Committee's term of office began on 1 February 2018 and it met once before year-end. All members attended.

Name of member	Number of meetings
Mr Sipho Mosai (Chairperson)	1
Mr Lufuno Nevhutalu (Board member)	1
Mr Mboniseni Dlamini (Board member)	1
Dr Natalie Skeepers (Board member)	1

### Audit, Risk and Governance Committee Responsibility

The ARGC confirms that it has complied with its responsibilities as contained in Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) in terms of the Public Finance Management Act. The Committee also reports that it has conducted its affairs in terms of the approved charter.

### Reporting on Performance Information

The Board has additional responsibility to ensure that it reports accurately on performance information. The ARGC confirmed that it was satisfied with reporting of the performance information throughout the year, through verification of an independent assessment by the Internal Auditors.

### The effectiveness of Internal Controls

The internal controls of the cidb were effectively managed throughout the financial year. The Office of the auditorgeneral and Internal Audit team identified certain weaknesses in the controls, which were brought to the attention of Management.

The ARGC has exercised an oversight role over the reports that were prepared, audited and submitted in terms of the PFMA and provided relevant inputs where required.

#### Internal Audit

The cidb has adopted an outsourced model for the Internal Audit Function. The ARGC is satisfied with the audit work that has been completed to date against the approved Internal Audit Plan.

### **Evaluation of Financial Statements**

The Committee:

- Reviewed and discussed with the auditor-general and Accounting Officer the audited Annual Financial Statements to be included in the Annual Report;
- Reviewed the auditor-general's management letter and management response thereto;
- Reviewed the accounting policies and procedures; and
- Reviewed the significant adjustment resulting from the audit.

We concur and accept the auditor–general's conclusions on the Annual Financial Statements and are of the opinion that the audited financial statements be accepted and read together with the report of the auditor-general.



### Mr Sipho Mosai

Signed on behalf of the Committee Chairperson: Audit, Risk and Governance Committee 31 July 2018

### **ACCOUNTING AUTHORITY'S REPORT**

The accounting authority of the Construction Industry Development Board (cidb) is pleased to submit the report, together with the cidb's Annual Financial Statements, for the year ended 31 March 2018.

The accounting authority acknowledges responsibility for the preparation and integrity of the financial statements and related information included in the Annual Report. In order for the accounting authority to discharge these responsibilities, as well as those bestowed on it in terms of the PFMA and other applicable legislation, it has developed and maintains a system of internal controls, designed to provide reasonable assurance regarding the achievement of objectives.

### Establishment, Mandate and Services of the cidb

The cidb is a statutory body listed as a Schedule 3A public entity established in terms of the cidb Act, 2000 to provide strategic leadership to stakeholders to stimulate sustainable growth, reform and improvement of the construction sector and the industry's enhanced role in the country's economy, as well as regulate the industry. The cidb is under the Executive Authority of the Department of Public Works.

### Going Concern

The 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.

For the financial year 2017/18, the cidb received a grant of R74 984 000.00 (2016/17: R52 059 000.00). R87 412 322.00 (2016/17: R85 510 003.00) was received in the form of registers' revenue; as well as other income of R15 051 489.00 (2016/17: R13 741 942.00). Thus, the total income for the cidb was R177 447 811.00 (2016/17: R151 310 945.00). The net surplus for the financial year was R35 195 266.00 (2016/17: R7 824 259.00). After taking into account the opening accumulated surplus of R113 754 705.00, this has resulted in the increase of accumulated surplus to R148 949 971.00 at the end of the financial year.

### **Internal Controls**

Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and

recorded in accordance with generally accepted business practice, as well as policies and procedures established by the accounting authority and independent oversight by the Audit, Risk and Governance Committee.

The system contains self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

### **Accounting Policies**

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by the National Treasury, and directives issued by the Accounting Standards Board.

### Corporate governance

### General

The accounting authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting authority supports the highest standards of corporate governance.

The Committees of the Board continued to play their oversight roles and are constituted as follows:

- · Audit, Risk and Governance Committee;
- Human Resources Committee;
- · Registration and Regulatory Compliance Committee;
- · Stakeholders, Social and Ethics Committee; and
- Finance Committee.

### **Performance Information**

The cidb has developed an Annual Performance Plan (APP). This APP provides clear indication of goals and objectives for the 2017/18 period. Such a plan was developed for the 2017/18 financial year. Progress reports were tabled at each Board and Committee meeting of the cidb.

Furthermore, the cidb reported to Department of Public Works on a quarterly basis regarding progress towards the achievement of the stated outputs and objectives, in line with the funding arrangement between the Department of Public Works and cidb.

A detailed report on the activities of the cidb is included under a separate section of the Annual Report.

### **New or Proposed Activities**

No new activities were undertaken during the period under review.

### Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee comprised four members for the year ended 31 March 2018 and met five times during the year, in accordance with its approved terms of reference. Please refer to page 42 for Audit, Risk and Governance Committee report.

### **Events after Reporting Date**

There were no significant events after the reporting date.

### **Business Address**

### **Registered Office:**

Physical Address:

Block N, R & Z, SABS Campus, No 2 Dr Lategan Road Groenkloof, 0027, Pretoria

### Postal Address:

PO Box 2107, Brooklyn Square, 0075

### Bankers:

Standard Bank of SA Limited Investec Bank Limited

### **External Auditors:**

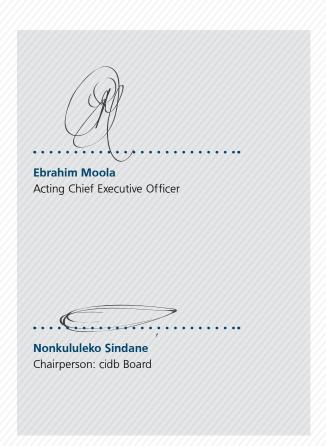
Auditor-general of South Africa is responsible for the external audit of the cidb.

### **Internal Auditors:**

The cidb has outsourced its Internal Audit Function to Business Innovative Group, which reports to the Audit, Risk and Governance Committee.

### Approval

The Annual Financial Statements for the year ended 31 March 2018, set out on pages 50 to 83 were approved by the accounting authority in terms of Section 51(1)(f) of the PFMA, as amended and are signed on its behalf by:



# REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

### Report on the audit of the financial statements

### **Opinion**

- 1. I have audited the financial statements of the Construction Industry Development Board set out on pages 50 to 83, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and 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. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Construction Industry Development Board as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA).

### Basis for opinion

- 3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditorgeneral's responsibilities for the audit of the financial statements section of this auditor's report.
- 4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' code of ethics for professional accountants (*IESBA* code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the accounting authority for the financial statements

- 6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the 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.
- 7. In preparing the financial statements, the accounting authority is responsible for assessing the Construction Industry Development Board'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 accounting authority 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

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

### Report on the audit of the Annual Performance Report

### Introduction and scope

- 10. In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the Annual Performance Report. I performed procedures to identify findings but not to gather evidence to express assurance
- 11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the Annual Performance Report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the Annual Performance Report
Programme 2 Regulation and Advocacy	91 – 95
Programme 3 Development and Capacitation	96 – 98
Programme 4 Industry Performance and Transformation	99 – 102

- 13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 14. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

### PROGRAMME 2 - REGULATION AND ADVOCACY

### % Register of Project information verified and corrected within eight weeks index

15. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of a target of 80% Register of Project information verified and corrected within eight weeks index. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 4% for the Register of Project information verified and corrected within eight weeks index as reported in the Annual Performance Report.

### % Grade 1 contractors activated within 48 hours

- 16. The achievement for a target of 94% of Grade 1 contractors activated within 48 hours, reported in the Annual Performance Report, was 92%. However, the supporting evidence provided did not agree with the reported achievement and indicated an achievement of 77%.
- 17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 3: Development and Capacitation
- Programme 4: Industry Performance and Transformation

### Other matters

18. I draw attention to the matters below.

### Achievement of planned targets

19. Refer to the Annual Performance Report on pages 85 to 102 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 15 to 16 of this report.

### Adjustment of material misstatements

20. I identified material misstatements in the Annual Performance Report submitted for auditing. These material misstatements were on the reported performance information of programme 2: regulation and advocacy, programme 3: development and capacitation and programme 4: industry performance and transformation. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

# Report on the audit of compliance with legislation

### Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. The material finding on compliance with specific matters in key legislations is as follows:

### Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure of R413 746 disclosed in note 28 to the Annual Financial Statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by a contract extended or modified without the approval of a properly delegated official and functionality criteria evaluation that was not consistent with the original bidding documents.

### Other information

- 24. The accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the Annual Performance Report that have been specifically reported in this auditor's report.
- 25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 27. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

28. 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 findings on the Annual Performance Report and the findings on compliance with legislation included in this report.

### Leadership

29. Vacancies in senior management positions were not filled due to the counsel received from the executive authority. This resulted in the oversight responsibility regarding performance monitoring and compliance with laws and regulations being inadequate.

### Financial and performance management

- 30. Management did not adequately monitor adherence to the requirements of treasury regulations regarding supply chain management processes, which resulted in irregular expenditure.
- 31. Management did not adequately review the Annual Performance Report for completeness and accuracy prior to their submission for audit purposes.

### Other reports

- 32. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 33. The Special Investigations Unit (SIU) is investigating allegations on the registration of contractors at the Construction Industry Development Board in terms of a presidential proclamation. The investigation covers alleged actions between 1 January 2006 and 15 April 2016. The SIU is still in the process of investigating some of the allegations and the Construction Industry Development Board has received reports relating to finalised investigations for some contractors.

Auditor - General

Pretoria 31 July 2018



Auditing to build public confidence

### Annexure - Auditor-general's responsibility for the audit

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

### Financial statements

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

- statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Construction Industry Development Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

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

# STATEMENT OF FINANCIAL POSITION

		2018	2017
	Note	R	R
ASSETS			
Current Assets			
Receivables from exchange transactions	5	5 791 992	2 054 842
Cash and cash equivalents	6	211 768 118	172 356 413
		217 560 110	174 411 255
Non-Current Assets			
Property, plant and equipment	3	9 008 609	11 042 152
Intangible assets	4	4 773 670	6 589 402
		13 782 279	17 631 554
TOTAL ASSETS		231 342 389	192 042 809
LIABILITIES			
<b>Current Liabilities</b>			
Finance lease obligation	7	422 744	937 869
Payables from exchange transactions	8	10 882 969	9 754 048
Provisions	9	4 799 661	9 752 554
Income received in advance	10	66 183 890	57 317 731
		82 289 264	77 762 202
Non-Current Liabilities			
Finance lease obligation	7	103 154	525 902
TOTAL LIABILITIES		82 392 418	78 288 104
Net Assets		148 949 971	113 754 705
Accumulated surplus		148 949 971	113 754 705

## STATEMENT OF FINANCIAL PERFORMANCE

		2018	2017
	Note	R	R
REVENUE			
Revenue from exchange transactions			
Assessment fees	11	44 199 000	41 635 650
Other income	12	35 913	84 876
Finance income	13	14 666 268	12 807 066
Total revenue from exchange transactions		58 901 181	54 527 592
Revenue from non-exchange transactions			
Government grants	11	74 984 000	52 059 000
Contractor fines		349 308	850 000
Annual fees	11	43 213 322	43 874 353
Total revenue from non-exchange transactions		118 546 630	96 783 353
TOTAL REVENUE		177 447 811	151 310 945
EXPENDITURE			
Employee benefit cost	20	(78 257 499)	(80 828 136)
Members' emoluments	24	(2 524 658)	(1 788 480)
Depreciation and amortisation	3 & 4	(4 003 024)	(4 410 013)
Finance costs	21	(137 171)	(240 266)
Debt impairment	22	(108 899)	(347 113)
Loss on assets written off	3 & 4	(168 161)	(742 880)
Operating expenses	23	(57 053 133)	(55 129 798)
Total expenditure		(142 252 545)	(143 486 686)
SURPLUS FOR THE YEAR		35 195 266	7 824 259

## STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets	
	R	R	
BALANCE AT 01 APRIL 2016	105 984 300	105 984 300	
Prior year adjustments	(53 854)	(53 854)	
Surplus for the year	7 824 259	7 824 259	
TOTAL CHANGES	7 770 405	7 770 405	
BALANCE AT 01 APRIL 2017	113 754 705	113 754 705	
Surplus for the year	35 195 266	35 195 266	
TOTAL CHANGES	35 195 266	35 195 266	
BALANCE AT 31 MARCH 2017	148 949 971	148 949 971	

## **CASH FLOW STATEMENT**

		2018	2017
	Note	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Registers income		87 266 630	86 360 003
Grants received		74 984 000	52 059 000
Interest income		12 319 536	12 807 066
Other receipts		35 913	84 876
		174 606 079	151 310 945
Payments			
Compensation to employees		(83 210 392)	(75 643 958)
Payments to suppliers and others		(50 587 028)	(51 012 856)
		(133 797 420)	(126 656 814)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	40 808 659	24 654 131
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(321 910)	(543 458)
Purchase of other intangible assets	4	_	(225 494)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(321 910)	(768 952)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments – capital		(937 873)	(1 309 812)
Finance lease payments – finance cost		(137 171)	(230 751)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 075 044)	(1 540 563)
NET INCREASE IN CASH AND CASH EQUIVALENTS		39 411 705	22 344 616
Cash and cash equivalents at the beginning of the year		172 356 413	150 011 797
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	211 768 118	172 356 413

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2018

### **BUDGET ON CASH BASIS**

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref
	R	R	R	R	R	
REVENUE						
Revenue from exchange to	ransactions					
Assessment fees	42 575 217	////// <del>/</del> //	42 575 217	44 199 000	1 623 783	29
Other income	<u>-</u>	<u> </u>	<u>-</u>	35 913	35 913	
Finance income	7 940 000		7 940 000	14 666 268	6 726 268	29
Total revenue from exchange transactions	50 515 217	-	50 515 217	58 901 181	8 385 964	
Revenue from non-exchan	ge transactions					
Government grants	74 984 000	<del>-</del>	74 984 000	74 984 000	<u>-</u>	
Contractor fines	841 405	<u>-</u> //	841 405	349 308	(492 097)	
Annual fees	42 136 378	<u>-</u>	42 136 378	43 213 322	1 076 944	29
Total revenue from non-exchange transactions	117 961 783	-	117 961 783	118 546 630	584 847	
TOTAL REVENUE	168 477 000	-	168 477 000	177 447 811	8 970 811	
EXPENDITURE						
Personnel	(96 029 000)	6 529 000	(89 500 000)	(78 257 499)	11 242 501	29
Depreciation and amortisation	<u>-</u>	<del>-</del>	<del>-</del>	(4 003 024)	(4 003 024)	29
Finance costs	(250 000)	<u>-</u>	(250 000)	(137 171)	112 829	
Bad debt written off	<u>-</u>	////// <del>-</del> //	<del>-</del>	(108 899)	(108 899)	
Repairs and maintenance	(1 000 000)	<u>-</u>	(1 000 000)	(963 349)	36 651	
Operating expenses	(71 198 000)	(6 529 000)	(77 727 000)	(58 614 442)	19 112 558	29
TOTAL EXPENDITURE	(168 477 000)	_	(168 477 000)	(142 084 384)	26 392 616	
Operating surplus		////// <del>/</del> //	<del>-</del>	35 363 427	35 363 427	
Loss on disposal of assets	/////// <del>/</del> //	/////// <del>/</del> //		(168 161)	(168 161)	
Surplus before taxation	//////// <del>/</del> //		/////// <del>/</del> //	35 195 266	35 195 266	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement				35 195 266	35 195 266	

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2018

### **BUDGET ON CASH BASIS**

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref
	R	R	R	R	R	
RECONCILIATION						
BASIS DIFFERENCE						
Depreciation and amortisation				4 003 024		
Finance costs				137 171		
Bad debt written off				108 899		
Loss on disposal of assets				168 161		
Actual Amount in the statement of financial performance				39 612 521		

The reasons why there was a variance in the year under review are reflected in note 29 of the Annual Financial Statements

### **ACCOUNTING POLICIES**

for the year ended 31 March 2018

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives 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.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, is disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation Currency

These Annual Financial Statements are presented in South African Rand and are not rounded off.

### 1.2 Going Concern Assumption

These Annual Financial Statements have been prepared based on the expectation that the cidb will continue to operate as a going concern for at least the next 12 months.

cidb is largely dependent on the Department of Public Works (DPW) for continued operations in executing its mandate. DPW has neither the intention nor the need to liquidate or curtail materially the scale of cidb. The accounting authority in line with DPW's intention, considers that cidb has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing cidb's Annual Financial Statements. The accounting authority has satisfied itself that cidb is in a sound financial position and that it has access to sufficient cash resources to meet its foreseeable cash requirements.

These Annual Financial Statements have been prepared based on the expectation that cidb will continue to operate as a going concern in the year(s) ahead.

## 1.3 Significant Judgments and Sources of Estimating 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. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Use of available information and the application of judgment is inherent in the formation of estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Although these estimates are based on the management's best knowledge of the current events and actions they may undertake in the future, actual results in the future could differ from these estimates, which may be material to the Annual Financial Statements.

### Impairment of property, plant and equipment and finite life intangible assets

Consideration is given each financial position date to determine whether there is any indication of impairment of the carrying amounts of property, plant and equipment and finite intangible assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the specific risk.

Assets that suffered an impairment are tested for possible reversal of impairment at each reporting date if indications exist that impairment losses recognised in prior periods no longer exist or have decreased.

### Assessment of useful lives

The residual value and useful life of an asset are regarded as accounting estimates and intrinsically have an element of uncertainty associated with them. As such they are based on information available at the time that they are estimated. It is therefore expected that these estimates will differ at various stages of an asset's life depending on economic times and management's intentions. Useful lives and residual amounts are reviewed and assessed at each financial year end.

Such review and assessment take into consideration the nature of the assets, their intended use and technical obsolescence. The residual value and useful life of an asset is reviewed, and revised, if necessary, at each financial year end.

### Debt impairment

On debtors, 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### Leave provision

Employees' entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

### **Provision for performance**

Employees' entitlement to performance bonus is recognised when a realistic expectation arises. The provision becomes actual after being qualified by the results of the performance measurement tool applied. Payment of performance bonuses is the sole discretion of the Board and dependent on the availability of funds. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

### 1.4 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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment are 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. 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.

Where an asset is acquired at no cost, or for a nominal cost, 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.

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.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Item	Average useful life		
Furniture and fixtures	10 – 18 years		
Motor vehicles	5 years		
Office equipment	8 –18 years		
Computer equipment	3 – 18 years		
Leasehold assets	3 years		

Assets acquired under finance leases are capitalised and depreciated in accordance with cidb's policy on property, plant and equipment unless the lease term is shorter.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 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 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.

### 1.5 Intangible Assets

An asset is identified as an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from cidb and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the cidb intends to do so; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from cidb or from other rights and obligations.

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 cidb; and
- the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

For an intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software, other	1 – 18 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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from cidb's statement of financial position.

The effective interest rate is the rate that exactly discounts estimated fututre cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cidb estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but not considering future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), cidb use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- · cash; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to cidb.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to cidb.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Liquidity risk is the risk encountered by cidb in the event of difficulty in meeting obligations and statutory commitments associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is managed by:

- investing in short-term deposit facilities with a maturity period between 14 and 180 days as per cash flows forecasts:
- timeous request and release of funds by the DPW to cidb; and
- the nature of the cidb's business is on cash basis.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of cidb after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- · equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of cidb's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of cidb.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if cidb had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

• cidb designates at fair value at initial recognition.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- · combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

cidb 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
Income received in advance	Financial asset measured at amortised cost
Payables from exchange transactions	Financial asset measured at amortised cost

### Initial recognition

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

The cidb recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

cidb 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.

cidb measures a financial asset and financial liability initially at its fair value.

### Subsequent measurement of financial assets and financial liabilities

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

- · Financial instruments at fair value;
- · Financial instruments at amortised cost; and
- · Financial instruments at cost.

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

### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when the cidb currently has a legally enforceable right to only set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.7 Tax

cidb is a schedule 3, Part A Public Entity and is therefore, exempt from VAT and income tax.

### 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, cidb 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 lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. Assets acquired under finance leases are capitalsed and depreciated in accordance with cidb's policy on property, plant and equipment unless the lease term is shorter.

### 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.

### 1.9 Accruals

Accrual liabilities represent expenses already incurred but not yet paid.

### 1.10 Commitments

Commitments are contractual agreements with the suppliers of goods and services, where delivery has not yet taken place. Commitments are disclosed in the notes to the Annual Financial Statements at nominal value of the contractual agreement.

### 1.11 Employee Benefit

### Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid medical aid contribution for bargaining unit employees,

vacation leave and sick leave, long service and performance bonuses), is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences (leave provision) 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.

Medical aid contribution for bargaining unit employees is recognised in the period of which such contribution occurred.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### **Defined contribution plans**

A defined contribution plan is a pension plan under which cidb pays fixed contributions into a separate entity which administers the fund. cidb has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. cidb currently contributes towards the insurance portion of the fund on behalf of its employee. The insurance contributed by cidb covers guaranteed benefits on disability and death.

### **Provident Fund**

cidb operates a provident fund on behalf of it employees, which is administered by a single pension fund that is legally separated from cidb. cidb has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all eligible employees the benefits. Membership of the provident fund is compulsory for all employees who joined cidb after 1 September 2010 and optional for all employees who joined cidb before the said date.

cidb employee benefit structure is on basic salary and benefits for the bargaining unit employees and on total cost to company to non-bargaining employees, and as such cidb contributes 7.5% of annual basic salary towards the provident fund for those employees within the bargaining unit and does not directly contribute towards the provident fund on behalf of its non-bargaining employees who are members of the provident fund. However, all employees are required to contribute towards the provident fund irrespective of which unit.

Contributions to the provident fund operated for employees are charged against income as incurred.

### 1.12 Provisions and Contingencies

Provisions are recognised when:

- · cidb 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 cidb 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 in "surplus and deficit".

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

Provisions are not recognised for future losses.

If cidb 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. Contingencies are disclosed in note 18.

### 1.13 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions by the DPW.

An exchange transaction is one in which the cidb 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

### Registers income

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

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

When services are performed by an indeterminate number of acts over a specified timeframe, revenue is recognised on a straight-line basis over the specified timeframe unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

#### Finance income

Revenue arising from the use by others of cidb's assets yielding finance income is recognised when:

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

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

### 1.14 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by cidb, which represents an increase in net assets, other than increases relating to contributions by the DPW.

Revenue from non-exchange transactions refers to the transactions where cidb receives revenue from another entity without directly giving approximately equal value in exchange.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the cidb 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.

Revenue from the non-exchange transaction takes the form of grants from the DPW and is received and raised as revenue on receipt.

### 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 cidb 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.

#### Measurement

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

When, as a result of a non-exchange transaction, cidb 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.

### **Fines**

Fines are economic benefits or service potential received or receivable by cidb from an individual or other entity, as determined by the outcome of the hearing, as a consequence of the individual or other entity breaching the requirements of cidb regulations. The cidb is empowered to impose fines on individuals or entities considered to have breached the cidb regulations. The payment is recognised as a fine.

### 1.15 Expenditure

Expenditure is classified in accordance with the nature of the expenditure in the period in which it is incurred.

cidb recognises expenditure in surplus or deficit when a decrease in future economic benefits or service potential relates to a decrease in an asset or an increase in a liability, other than those relating to distributions to government.

cidb recognises expenses immediately in surplus or deficit when no future economic benefits or service potential is expected or when and to the extent that future economic benefits or service potential do not qualify or cease to qualify for recognition as an asset in the statement of financial position.

### 1.16 Finance Costs

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

### 1.17 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- 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 period 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.

### 1.18 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure that 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 period 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.

### 1.19 Irregular Expenditure

Irregular expenditure as defined in the Public Finance Management Act No 1 of 1999 is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

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

National Treasury practice note No 4 of 2008/2009, which was issued in terms of Sections 76(1) to 76(4) of the Public Finance Management Act effective from 1 April 2008 and the updated guideline on irregular expenditure issued on 28 May 2014 and effective from 1 April 2015 require the following:

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the Annual Financial Statements must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

Where irregular expenditure was incurred in the previous financial year and is condoned only in the subsequent financial year, the register and the disclosure note to the Annual Financial Statements must be 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 bad debt written off and disclose such in the relevant note to the Annual Financial Statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the Annual Financial Statements and updated accordingly in the irregular expenditure register.

cidb is required to comply with the Standards of GRAP. cidb shall incur irregular expenditure when a transaction, condition or an event linked to the transgression that has financial implications is recognised as expenditure in the statement of financial performance in accordance with the Standards of GRAP.

Irregular expenditure that is not recoverable because no official was found to be liable in law for such transgression and was also not condoned by the relevent Treasury will be de-recognised in the balance of the irregular expenditure note. The accounting authority will de-recognise irregular expenditure only when the accounting authority is satisfied that:

- (a) reasonable steps have been taken to confirm that such irregular expenditure did not result in any loss or damages to the cidb and that the cidb did obtain value from such a transaction, condition or event;
- (b) the non-compliance that led to the irregular expenditure is being addressed; and
- (c) transactions, conditions or events of a similar nature are regularly reviewed to ensure that there are no possible future non-compliance cases reported.

The accounting authority will write off irregular expenditure after confirmation of the controls implemented by management to prevent occurrence of irregular expenditure by informing the relevent delegated official in writing to de-recognise the irregular expenditure in the notes to the financial statements.

### 1.20 Related Parties

cidb operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only public entities with the ability to control or jointly control cidb or exercise significant influence over cidb, or vice versa, or entities that are subject to common control, or joint control within the national sphere of government are considered to be related parties. Only transactions carried out with entities within the ambit of the DPW and transactions not carried out at arm's length basis are disclosed.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of cidb, directly or indirectly, including any director (whether executive or otherwise) of cidb. Key management personnel are limited to the Board and the Executives only.

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

All transactions with entities identified by cidb as related parties are disclosed.

### 1.21 Budget Information

cidb is typically subjected to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by cidb shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 1 April 2017 to 31 March 2018.

The Annual Financial Statements and the budget are not on the same basis of accounting, therefore a reconciliation between the statement of financial performance and the budget has been included in the Annual Financial Statements. Refer to note 29.

### 1.22 Events after the Reporting Period

Events after the reporting date are those events that occur between the end of the reporting period and the date the Annual Financial Statements are authorised for issue. The cidb accounts for those events after the reporting period that provide evidence of the condition that existed at the end of the reporting period by adjusting the Annual Financial Statements. All other material events that are indicative of the condition that arose after the reporting period are disclosed in the notes to the Annual Financial Statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective in the current year

In the current year, the cidb has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations.

### 2.2 Standards and interpretations not yet effective or relevant

The cidb has considered all standards and interpretations, which have been published and are mandatory for the cidb's accounting periods beginning on or after 1 April 2018 or later periods and no standards and interpretations are relevant to cidb's operations.

### 3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	7 228 149	(4 420 278)	2 807 871	7 235 515	(4 004 545)	3 230 970
Motor vehicles	180 775	(130 158)	50 617	180 775	(97 619)	83 156
Office equipment	5 999 847	(4 010 733)	1 989 114	6 088 447	(3 376 442)	2 712 005
Computer equipment	8 911 046	(4 750 039)	4 161 007	9 060 655	(4 044 634)	5 016 021
TOTAL	22 319 817	(13 311 208)	9 008 609	22 565 392	(11 523 240)	11 042 152

### Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3 230 970	17 996	(13 271)	(427 824)	2 807 871
Motor vehicles	83 156	<del>-</del>	////// <del>/</del> //	(32 539)	50 617
Office equipment	2 712 005	178 330	(12 951)	(888 270)	1 989 114
Computer equipment	5 016 021	125 584	(141 939)	(838 659)	4 161 007
	11 042 152	321 910	(168 161)	(2 187 292)	9 008 609

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment – 2017						
	Opening balance	Additions	Disposals	Depreciation	Total	
Furniture and fixtures	3 734 630	2 800	(73 017)	(433 443)	3 230 970	
Motor vehicles	115 696	<u>-</u>	<del>-</del>	(32 540)	83 156	
Office equipment	3 415 440	521 985	(37 572)	(1 187 848)	2 712 005	
Computer equipment	5 585 553	480 674	(189 574)	(860 632)	5 016 021	
	12 851 319	1 005 459	(300 163)	(2 514 463)	11 042 152	

### Pledged as security

cidb has no assets classified under property, plant and equipment pledged as security for liabilities and no restrictions have been imposed on any of its assets.

### Assets subject to finance lease (net carrying amount)

	2018 R	2017 R
Office equipment	375 572	974 736

### 4. INTANGIBLE ASSETS

	2018			2017		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	12 703 961	(7 930 291)	4 773 670	13 310 036	(6 720 634)	6 589 402
Reconciliation of intangibl	e assets – 20	18				
				Opening balance	Amortisation	Total
Computer software, other				6 589 402	(1 815 732)	4 773 670
Reconciliation of intangibl	e assets – 20	17				
		Opening balance	Additions	Disposals	Depreciation	Total
Computer software, other		8 702 175	225 494	(442 717)	(1 895 550)	6 589 402

### 4. INTANGIBLE ASSETS (CONTINUED)

### Pledged as security

cidb has no intangible assets pledged as security for liabilities and no restrictions have been imposed on any of its assets.

### Assets subject to finance lease (net carrying amount)

	2018	2017
	R	R
Computer software, other	93 068	373 412
5. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
J. RECEIVABLES TROWN EXCHANGE TRANSACTIONS		
Trade receivables	1 531 734	707 522
Prepayments	1 913 526	1 347 320
Finance income receivables	2 346 732	<u>.</u>
	F 704 000	2.054.042

### Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R8 600 (2017: R9 701) were impaired and provided for. The amount of the provision was R572 220 as of 31 March 2018 (2017: R471 921).

Provision for bad debt has been determined by reference to cidb's policy of debt management, past default experience and the current economic environment.

The cidb considers the carrying amount of receivables to approximate their fair value.

### Reconciliation of provision for impairment of trade and other receivables

7 <u></u>		
Opening balance	(471 921)	(134 509)
Provison for bad debt (I/S)	(572 220)	(471 921)
Unused amounts reversed	471 921	134 509
	(572 220)	(471 921)

### 6. CASH AND CASH EQUIVALENTS

### Cash and cash equivalents consist of:

Cash on hand	24 880	40 342
Bank balances – call deposits	2 313 809	1 770 903
Bank balances – maturity deposits	209 429 429	170 545 168
	211 768 118	172 356 413

### 7. FINANCE LEASE OBLIGATION

	2017	2016
	R	R
Minimum lease payments due		
– within one year	452 401	1 074 402
– in second to fifth year inclusive	107 333	559 773
	559 734	1 634 175
less: future finance charges	(33 836)	(170 364)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	525 898	1 463 811
Present value of minimum lease payments due		
– within one year	422 744	937 869
– in second to fifth year inclusive	103 154	525 902
	525 898	1 463 771
Non-current liabilities	103 154	525 902
Current liabilities	422 744	937 869
PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE	525 898	1 463 771

At the reporting date, cidb had a lease agreement in respect of office equipment. The lease agreements are not renewable at the end of the lease term and cidb does not have any option to acquire the equipment at the end of the lease term.

In addition to the existing cidb lease agreements, cidb has entered into a finance lease agreement term of 36 months for telephonic systems.

The average effective borrowing rate of the lease agreements is 12% (2017: 12%).

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

The lease agreements do not impose any restrictions on cidb.

### 8. PAYABLES FROM EXCHANGE TRANSACTIONS

	10 882 969	9 754 048
Payroll liabilities	1 156 402	810 836
Trade accruals	3 627 219	3 691 744
Unallocated deposits	3 503 905	3 226 386
Trade payables	2 595 443	2 025 082
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		

### 9. PROVISIONS

Reconciliation of provisions – 2018				
	Opening balance	Additions	Utilised during the year	Total
Provision for performance bonus	1 923 071	1 856 813	(1 923 071)	1 856 813
Provision for leave	2 892 700	3 424 896	(3 452 248)	2 865 348
Provision for termination	4 936 783	<u>-</u> /	(4 936 783)	<u> </u>
Provision for long services	<del>-</del>	77 500	<u>-</u> /.	77 500
	9 752 554	5 359 209	(10 312 102)	4 799 661
Reconciliation of provisions – 2017				
	Opening balance	Additions	Utilised during the year	Total
Provision for performance bonus	2 037 136	1 859 250	(1 973 315)	1 923 071
Provision for leave	2 531 240	2 075 024	(1 713 564)	2 892 700
Provision for termination	<u>-</u>	4 936 783	<u>-</u>	4 936 783
	4 568 376	8 871 057	(3 686 879)	9 752 554

Provision for performance bonus is calculated at 7% of annual salaries of all non-bargaining unit members. The bonuses are payable to all non-bargaining unit members who qualify for the performance bonuses. A liability is recognised for the amount expected to be paid if cidb has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. A liability for performance bonuses is accrued on a basis of services rendered. A liability for performance bonus is raised on the estimated amount payable in terms of the measurement tools applied by the cidb, which basis its outcomes on employees' performance in the applicable year. There are no uncertainties envisaged that may affect the above provisions.

Employee entitlements to annual leave are recognised when the leave is accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Provision for leave is calculated at current salary rate multiplied by number of available leave credits. There are no uncertainties envisaged that may affect the above provisions.

Long service awards are provided to employees who achieve certain predetermined milestones of service within the cidb. Provision for long service is calculated at pre-determined rate for all qualifying employees in respective categories. There are no uncertainties envisaged that may affect the above provisions.

#### 10. INCOME RECEIVED IN ADVANCE

Income received in advance represents both assessment and annual fees received in advance and would be released through surplus or deficit when requisite invoices are raised and processed.

	///////////////////////////////////////	///// <u>////</u> ////
	2018 R	2017 R
Contractors not assessed (work-in-progress)	66 183 890	57 317 731
11. REVENUE		
Assessment fees	44 199 000	41 635 650
Other income	35 913	84 876
Finance income	14 666 268	12 807 066
Government grants	74 984 000	52 059 000
Contractor fines	349 308	850 000
Annual fees	43 213 322	43 874 353
	177 447 811	151 310 945
	ada ar samiras ara as fallaurs	
The amounts included in revenue arising from exchanges of go.  Assessment fee	44 199 000	41 635 650
Other income	35 913	84 876
Finance income	14 666 268	12 807 066
riliance income	58 901 181	54 527 592
	30 301 101	34 327 332
The amounts included in revenue arising from non-exchange tra	ansactions are as follows:	
Government grants	74 984 000	52 059 000
Contractor fines	349 308	850 000
Annual fees	43 213 322	43 874 353
	118 546 630	96 783 353
12. OTHER INCOME		
Proceeds from insurance claims	35 363	24 041
Sundry income	550	60 835
	35 913	84 876
13. FINANCE INCOME		
D. Control of the con		
Revenue from investments	14.666.360	12 007 000
Bank	14 666 268	12 807 066

#### 14. INCOME TAX EXEMPTION

The cidb is exempt from income tax in terms of Section 10 (1) (cA) (i) of the Income Tax Act.

#### 15. AUDIT FEES

	2018 R	2017 R
Internal audit fees	1 156 153	1 205 618
Internal audit fees	757 178	812 943
	1 913 331	2 018 561

#### 16. CASH GENERATED FROM OPERATIONS

SURPLUS	35 195 266	7 824 259
Adjustments for:		
Depreciation and amortisation	4 003 024	4 410 013
Loss on assets written off	168 161	742 880
Finance costs	137 171	240 266
Debt impairment	108 899	347 113
Movements in provisions	(4 952 893)	5 184 178
Changes in working capital:		
Receivables from exchange transactions	(3 737 150)	(96 034)
Payables from exchange transactions	1 128 921	294 275
Reversal of bad debts provision	(108 899)	(347 113)
Income received in advance	8 866 159	6 054 294
	40 808 659	24 654 131

#### 17. COMMITMENTS

#### Already contracted for but not provided for

•	Outstanding contractual obligations as at year-end	28 922 715	26 477 892

#### Total capital commitments

Already contracted for but not provided for 28 922 715 26 477 892

Commitments relates to all contractual agreements cidb entered into with certain service providers, none of the commitments relates to acquisition of property, plant and equipment.

#### Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by cidb to SABS for its office properties in Pretoria. The cidb engaged the DPW to take over the lease agreement negotiations with SABS as per Government Immovable Asset Management Act 19 of 2007, which mandates DPW to manage leases of government departments and public entities. A letter was received from the DPW granting cidb permission to continue with the leasing of SABS properties on a month-to-month basis until the procurement process has been completed and a new lease procured. Contract of the new lease has been signed by SABS and awaiting to be signed by DPW.

#### 18. CONTINGENCIES

	2018 R	2017 R
Contingent liabilities		
Liable to:		
National Treasury	106 348 131	70 171 161

The accumulated surplus of R106 348 131 has been classified as a contingent liability at 31 March 2018 as there is no approval received as yet to retain the surplus funds. In terms of PFMA Section 53 (3) entities are not allowed to accumulate surpluses unless approved by National Treasury. The cidb is obliged to repay to National Treasury any amount of the surplus not granted for retention. The cidb is currently in engagements with National Treasury regarding additional surplus.

During the year under review, the cidb received summons for an amount of R949 460 90 from Vox Telecom claiming loss of profit for an agreement that was terminated by the cidb. The agreement was terminated by the cidb in March 2017 after a dispute of non-performance with the service provider. The cidb is currently reviewing the option of settling or proceeding with the matter.

During the year under review, the Minister of Finance announced a 1% increase in VAT from 14% to 15%. Although the increase is envisaged to negatively affect the cidb, cidb at the balance sheet date cannot measure the possible obligation with sufficient reliability and is uncertain of the occurrence and probability of financial resources outflow.

#### 19. RELATED PARTIES

Parent Department	National Department of Public Works
Sister Departments	<ul> <li>Gauteng Provincial Department of Public Works</li> <li>Eastern Cape Department of Roads and Public Works</li> <li>Western Cape Department of Transport and Public Works</li> <li>KwaZulu-Natal Department of Public Works</li> <li>Free State Department of Police, Roads and Transport</li> <li>Mpumalanga Department of Public Works</li> <li>Limpopo Department of Public Works</li> <li>North West Department of Public Works, Roads and Transport</li> <li>Northern Cape Department of Roads and Public Works</li> </ul>
Sister entities	<ul><li>Council for the Built Environment</li><li>Independent Development Trust</li><li>Agrément South Africa</li></ul>

The cidb has entered into an arrangement with all the provincial departments of Public Works except Gauteng whereby the departments provide office space for the cidb operations for free. The cidb operates out of the offices mentioned above.

During the financial year the cidb did not enter into any transaction with key management other than their entitled remuneration (refer to note 24 for disclosure of members' emoluments and remuneration of executives).

#### 19. RELATED PARTIES (CONTINUED)

	2018 R	2017 R
Related party transactions		
Grant transfer received from DPW		
Department of Public Works	74 984 000	52 059 000
Mr Gwazube's salary refunded to DPW		
Department of Public Works	(1 531 066)	

#### 20. EMPLOYEE BENEFIT COST

Basic	57 718 568	61 511 569
Bonus	1 864 252	1 859 253
Medical aid – company contributions	427 123	<del>-</del>
UIF	294 674	301 973
Group Life company contribution	316 472	294 103
Leave payment	138 859	829 520
Long service awards	77 500	<del>-</del>
Provident fund contributions	4 657 143	4 319 457
	65 494 591	69 115 875
Remuneration of executives		
Annual remuneration	10 789 793	10 116 220
Acting allowance	1 334 412	1 106 492
Performance bonuses	638 703	489 549
	12 762 908	11 712 261

#### TOTAL

EMPLOYEE BENEFIT COST	78 257 499	80 828 136

An amount of R489 549, which in the previous year was classified under basic salary, was corrected and classified under bonus line item for better presentation. The change effected does not result in a material adjustment.

#### 21. FINANCE COSTS

Finance leases	137 171	240 266
22. DEBT IMPAIRMENT		
Bad debts written off	8 600	9 701
Provision for bad debts	572 220	471 921
Reversal of bad debts provision	(471 921)	(134 509)
	108 899	347 113

#### 23. OPERATING EXPENSES

	2018	2017
	2018 R	2017 R
Advertising	1 955 291	1 185 955
Auditors remuneration	1 913 331	2 018 561
Bank charges	765 617	648 311
Cleaning	1 006 735	769 748
Consulting and professional fees	22 722 757	23 453 279
Consumables	148 640	193 104
Rentals	5 739 689	6 432 738
Insurance	464 089	422 826
IT expenses	3 692 003	2 078 401
Promotions and sponsorships	49 456	67 835
Motor vehicle expenses	18 207	9 663
Postage and courier	400 644	399 217
Printing and stationery	2 954 758	1 932 858
Repairs and maintenance	963 349	486 773
Security	822 542	955 573
Subscriptions and membership fees	1 007 975	1 860 221
Telephone and fax	2 566 070	2 632 296
Training	1 505 815	1 436 587
Travel – local	4 712 219	4 247 021
Travel – overseas	96 512	<u>-</u> //
Electricity	1 724 182	1 402 984
Storage expenses	401 232	254 031
Venue expenses	1 422 020	2 241 815
	57 053 133	55 129 797

# 24. MEMBERS' EMOLUMENTS AND REMUNERATION OF EXECUTIVES

# **BOARD 2018**

	Designation	Board Meetings	Committee Meetings	Other Activities Board	Meetings	Committee Meetings	Other Activities	Retainer	Travel Expenses	Total
Nonkululeko Sindane Chairperson	Chairperson	3	<u> </u>	9	23 670	7 890	27 612	26 509	10 143	95 824
Mboniseni Dlamini	Deputy Chairperson	4	_	m	35 712	8 928	22 320	22 498	43 245	132 703
Sipho Mosai	Member (Current)	7	Ŋ	2	35 804	30 690	14 318	79 625	23 769	184 206
Danny Masimene	Member (Current)	4	4	m	32 736	32 736	20 460	20 623	41 831	148 386
Mpendulo Ndlazi	Member (Current)	4	2	3	32 736	16 368	20 460	20 623	70 286	160 473
Thuthuka Songelwa	Member (Current)	4	2	m	32 736	16 368	20 460	20 623	73 843	164 030
Natalie Skeepers	Member (Current)	6	8	8	51 150	42 966	40 920	79 625	13 285	227 946
Kennedy Maimela	Member (Current)	4	2	4	32 736	16 368	22 506	20 623	48 198	140 431
Lufuno Nevhutalu	Former Chairperson	Έ	m	6	72 766	16 658	57 880	96 467	64 440	308 211
Malebo Matolong	Member (Current)	4	2	m	24 552	12 276	14 322	20 623	I	71 773
Eric Manchidi	Member (Current)	m	m	C	18 414	18 414	10 996	20 623	l	68 447
Bongekile Zulu	Member (Current)	4	2	2	32 736	16 368	12 276	20 623	64 477	146 480
Denzel Maduray	Member (Current)	10	_	2	59 334	38 874	22 506	79 625	261	200 600
Nico Maas	Member (Former)	9	5	2	30 690	26 598	8 184	59 002	7 415	131 889
Hareesh Patel	Member (Former)	æ	_	4	20 460	57 288	22 506	59 002	150 417	309 673
Lefadi Makibinyane	Member (Former)	9	2	m	28 644	24 552	20 460	59 002	13 285	145 943
Michael Makhura	Member (Former)	8	5	4	42 966	24 552	16 368	59 002	1	142 888
Lindelwa Myataza	Member (Former)	9	7	10	45 012	51 150	73 656	59 002	234 316	463 136
Christopher Jiyane	Member (Former)	7	4	4	36 828	20 460	24 552	200 65	27 399	168 241
TOTAL EMOLUMENTS – BOARD	TS – BOARD				689 682	479 504	472 762	882 722	886 610	3 411 280

# **BOARD 2017**

02
Ξ
94
2 440 102
7
<u>6</u>
9
651 619
4
96
598 964
Ω,
422 329
m
22
4
767 190
7
92
Ω
A
Ò
Ω
10
Ë
ш
Σ
3
0
Σ
⋖
OTA

#### 24. MEMBERS' EMOLUMENTS AND REMUNERATION OF EXECUTIVES (CONTINUED)

cidb's new Board was appointed in the period under review and its term of office commenced in January 2018. They are Ms Nonkululeko Sindane (Chairperson), Mr Mboniseni Dlamini (Deputy Chairperson), Mr Kennedy Maimela, Ms Malebo Matolong, Mr Danny Masimene, Mr Eric Manchidi, Ms Bongekile Zulu, Mr Mpendulo Ndlazi, Ms Thuthuka Songelwa, Mr Lufuno Nevhutalu, Dr Natalie Skeepers, Mr Denzel Maduray, Mr Sipho Mosai. The new cidb Board will serve a three-year term.

Mr Lufuno Nevhutalu, Dr Natalie Skeepers, Mr Denzel Maduray and Mr Sipho Mosai were retained to continue from the previous Board to ensure continuity.

Members' emoluments for the Board in respect of all meetings and activities which excluded reimbused travel expenses amounted to a total of R2 524 658 (2017: R1 788 480).

#### Board meetings include:

- Statutory meetings, all pre-sheduled Board/Exco and committee meetings for the year; this includes Board induction and strategic planning meetings;
- All provincial stakeholder liaison meetings; and
- All the national stakeholder forums.

#### Committee meetings include:

All Board committee meetings for the year.

#### Other activities include:

National and regional meetings as well as events, parliamentary meetings, roadshows, other stakeholder meetings, any other meetings attended by members of the Board; and attendance/participation at any other events or meetings as determined from time to time.

#### Retainer:

The retainer is payable to cover any other incidental costs and preparation for those activities which such are not provided for, but not limited.

#### 24. MEMBERS' EMOLUMENTS AND REMUNERATION OF EXECUTIVES (CONTINUED)

#### 2018

Executives	Designation	Salary	Acting Allowance	Performance Bonus	Total
Gwazube M	Acting CEO until 14 February 2018	1 555 066	335 733	-	1 890 799
Moola E	Acting CEO: 16 March 2018 to date	1 504 772	8 576	104 074	1 617 422
Mphuthi M	Acting CIO	734 009	219 221	50 121	1 003 351
Milford R	Programme Manager	1 672 659		115 658	1 788 317
Masibi E	Acting Programme Manager	949 476	-	65 623	1 015 099
Nsibande S	Acting CFO	1 066 867	167 978	73 438	1 308 283
Seabelo M	Acting Corporate Services	1 168 198	148 341	80 916	1 397 455
Mphahlele K	Acting Programme Manager	1 117 339	280 525	78 214	1 476 078
George B	Acting COO	1 021 405	174 039	70 658	1 266 102
TOTAL EMOLUN	MENTS – EXECUTIVES	10 789 791	1 334 413	638 702	12 762 906

#### 2017

Executives	Designation	Salary	Acting Allowance	Performance Bonus	Total
TOTAL EMOLU	MENTS – EXECUTIVES	10 116 220	1 106 493	489 549	11 712 262

#### 25. CHANGE IN ESTIMATE

#### Property, plant and equipment

In terms of the requirements of GRAP 17 property, plant and equipment, which states that the useful lives of assets must be reviewed at each balance sheet date, management revised the estimated useful lives of computer equipment, office equipment and furniture and fittings. In prior periods, management had estimated the useful lives of computer equipment, furniture and fittings, office equipment and computer software to be 18 years. The effect of this revision has reduced the depreciation charges for the current and future periods by R22. The effect of this revision has increased surplus for the year by R22.

#### 26. RISK MANAGEMENT

#### Liquidity risk

Liquidity risk is the risk that cidb will not be able to meets its financial obligations as they become due. cidb ensures that adequate funds are available to meet its expected and unexpected financial commitments. The following table provides details of cidb's remaining contractual liability for its financial liabilities and availability of cash resources. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

AT 31 MARCH 2018	Carrying	Contractual cash flows	Contractual cash flows with 1 year	cash flows between 1 and 5 years
Trade and other payables	10 813 033	10 813 033	10 813 033	<u>-</u>
Income received in advance	66 183 890	66 183 890	66 183 890	<u>-</u>
Finance lease	525 898	525 897	422 744	103 154
AT 31 MARCH 2017				
Trade and other payables	9 754 048	9 754 048	9 754 048	<u>-</u>
Income received in advance	57 317 731	57 317 731	57 731 731	<u>-</u>
Finance lease	1 463 771	1 463 771	937 869	525 902

The following table shows the classification of the cidb's principal instruments together with their carrying value:

		2018	2017
FINANCIAL INSTRUMENT	Classification	R	R
Cash and cash equivalents	Financial asset at amortised cost	211 766 664	172 356 413
Receivables	Financial asset at amortised cost	3 757 300	707 521
Trade and other payables	Financial liability measured at amortised cost	10 813 033	9 754 048
Income received in advance	Financial liability measured at amortised cost	66 183 890	57 317 731
Finance lease	Financial liability measured at amortised cost	525 897	1 463 771
Financial guarantee	Financial liability measured at amortised cost	-	3 151 285

The following table presents the total net gains or losses for each category of financial assets and financial liabilities:

	Financial liabilities at			
	Loans and receivables	amortised cost	Total	
2018				
Finance income	14 666 268	<del>-</del>	14 666 268	
Finance charges	<del>-</del>	(137 131)	(137 131)	
	14 666 268	(137 131)	14 529 137	

#### 26. RISK MANAGEMENT (CONTINUED)

		Financial liabilities at	
	Loans and receivables	amortised cost	Total
2017			
Finance income	12 807 066	<del>-</del>	12 807 066
Finance charges	<u>-</u>	(240 266)	(240 266)
	12 807 066	(240 266)	12 566 800

#### Interest rate risk

The cidb is exposed to interest rate changes in respect of returns on its investments with financial institutions and finance cost payable on finance lease contracted with external party. cidb's interest rate profile consists of fixed and floating rate bank balances, which expose cidb to fair value interest rate risk and cash flow interest risk. cidb's exposure is managed by investing in current accounts, call accounts and short-term maturity accounts mainly in two Fitch credit rated financial institutions.

	Change investments (%)	Upward change	Downward change
2018			
Cash and cash equivalents	1	2 117 666	(2 117 666)
2017			
Cash and cash equivalents	1	1 723 564	(1 723 564)

#### Credit risk

Credit risk consists mainly of cash and cash equivalents and trade and other receivables. The cidb deposits cash only with major banks with high quality credit standing and limits exposure to any one counterparty. The cidb trades only with recognised, creditworthy third parties and monitors receivable balances on an ongoing basis with the result that the cidb's exposure to bad debts is not significant.

With respect to credit risks arising from the other financial assets of the cidb, which comprises cash and cash equivalents, the cidb's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The cidb's cash and cash equivalents are placed with high credit quality financial institutions, therefore the credit risk with respect to cash and cash equivalents is limited.

Trade and other receivables – cidb is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consists of a large number of customers in various industries and geographical areas within South Africa. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good. Management evaluated credit risk relating to customers on an ongoing basis. No credit limits were exceeded during the reporting period and management does not expect any deficits from non-performance by these counterparties. The maximum exposure to credit risk of trade and other receivables is represented by the carrying amount in the statement of financial position after taking into account that all receivable services are paid for in advance. None of the cidb's financial assets is secured by collateral or other credit enhancements such as guarantees.

#### 26. RISK MANAGEMENT (CONTINUED)

#### Exposure to credit risk

Financial assets exposed to credit risk at year end were as follows:

	2018	2017
	R	R
Financial instrument		
Cash and cash equivalents	211 766 664	172 356 413
Trade and other receivables	3 809 984	707 522

#### Ageing of financial assets

The following tables provide information regarding the credit quality of financial assets which may expose the cidb to credit risk:

2018	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
Cash and cash equivalents	211 766 664	<u>-</u>	<u>-</u>	211 766 664
Trade and other receivables	<u>-</u>	<u>-</u>	3 809 984	3 809 984
	211 766 664	_	3 809 984	215 576 648
2017				
Cash and cash equivalents	172 356 413	<u>-</u>	<u>-</u>	172 356 413
Trade and other receivables	<del>-</del>	<u>-</u>	707 522	707 522
	172 356 413	-	707 522	173 063 935

#### Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by Fitch credit rating category was as follows:

2018	BB+	BB+	Unrated
Cash and cash equivalents	172 963 537	38 800 639	2 488
Other receivables	<u>-</u>	<del>-</del>	3 809 984
	172 963 537	38 800 639	3 812 472
2017	BBB-	BBB+	Unrated
Cash and cash equivalents	11 128 375	16 127 799	239
Cash and cash equivalents  Trade and other receivables	11 128 375 -	16 127 799 –	239 707 522

#### 27. FRUITLESS AND WASTEFUL EXPENDITURE

	2018 R	2017 R
Interest levied due to changes on remuneration policy	4 617	<u> </u>

cidb incurred fruitless and wasteful expenditure as a result of late payment of provident fund as a result of implementation of the remuneration policy.

#### 28. IRREGULAR EXPENDITURE

	1 010 046	813 416
Less: Amounts condoned	(217 116)	(812 943)
Add: Irregular expenditure – current year	413 746	1 477 599
Opening balance	813 416	148 760

Details of irregular expenditure – current year	<u>-                                    </u>	
Contract extended without following proper SCM processes	The matter is still being investigated by the Board	196 630
Legacy contract		
Inconsistancy in the evaluation of functionality	Chair of the BEC was issued with a written warning	217 116

413 746

#### 29. BUDGET DIFFERENCES

#### Material differences between budget and actual amounts

The cidb budget is approved on a cash basis by functional classification. The approved budget covers the period from 1 April to 31 March each year. The Annual Financial Statements and budget documents are prepared for the same period. For the financial year ended 31 March 2018, there is a basis difference: the budget is prepared on a cash basis and the Annual Financial Statements are prepared on the accrual basis. The cidb is not allowed to budget for a surplus. However, for the financial year ended 31 March 2018, revenue collected exceeded the expenditure incurred resulting in a net surplus of R35 195 266.

For the purposes of this note, only the differences of above R1 000 000 will be explained. Assessment fees and annual fees, both of which represent Registers Income, have a total difference of R2 700 727 over-collected. This difference arose as a result of cidb having received more applications for annual fees and assessments than originally anticipated. Finance income was over-collected by R6 726 268 due to an increase on cash resources available as 31 March 2018.

Personnel expenditure was underspent by R11 242 501. This is due to vacant funded posts that were not filled in the year under review. cidb anticipated to capacitate the new structure as per outcome of the Organisational re-design exercise currently underway. However due to certain delays the process to capacitate the structure did not commence as was

#### 29. BUDGET DIFFERENCES (CONTINUED)

envisaged. The difference on depreciation of R4 003 024 is due to the fact that cidb's budget is on a cash basis and no budget for depreciation was provided for as it is a non-cash item. Operating expenditure underspent by R19 112 555; this is mainly due to projects which cidb could not spend on due to challenges relating to procurement as well some projects committed in the current year actually planned to overlap in future financial year/s.

After taking into account the opening accumulated surplus of R113 754 705, this resulted in the increase in the accumulated surplus to R148 949 971 at the end of the financial year.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of underspending and delays on the organisational re-design exercise which resulted on virement between economic classes.

Operational expenditure was therefore adjusted by R6 529 000. The adjusted budget of R6 529 000 was consequently allocated to professional fees. As a result of the adjustment on operational expenditure a corresponding amount of R6 529 000 was credited against the personnel expenditure budget.



"We can change the world and make it a better place.

It is in your hands to make a difference." – Nelson Mandela



INFORMATION

# STRATEGIC OBJECTIVES

1. Administration	1. Administration					
Strategic Objectives	Actual Achievements 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on Deviations	
To ensure that sound governance practices are implemented through effective implementation of all Board decisions and resolutions.	New indicator introduced after Strategic Plan revision.	70% of Board resolutions and decisions implemented within specified timeframes.	65% of Board resolutions and decisions implemented within specified timeframes.	Target not achieved.  Some resolutions were not finalised due to organisational design implementations.	Management is clearing outstanding resolutions.	
To ensure that the cidb is complying to all legislative requirements.	New indicator introduced after Strategic Plan revision.	70% of all audit findings resolved with the reporting cycle of relevant report.	88% of audit findings relating to AG were resolved.	Target achieved.	Improved corporate governance.	
To improve governance and accountability, addressing and resolve all recurring audit findings.	New indicator introduced after Strategic Plan revision.	60% of recurring audit findings that are resolved.	Averages of 60% recurring audit findings were resolved.	Target achieved.		
To increase alternate revenue streams to 75% of total audit budget by 2020.	New indicator introduced after Strategic Plan revision.	65% of total revenue received through other revenue streams.	Average of 42% total revenue received through other revenue streams was achieved.	Target not achieved.  The process of exploring other funding model to increase revenue streams such as best practice fees not finalised.	The process of exploring other funding model to increase revenue streams such as best practice fees has been initiated and in progress.	

# **PERFORMANCE INDICATORS**

#### **Programme 1: Administration**

Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Strategic Objecti  To increase alte	ve: ernate revenue strean	ns to 75% by 2020			
% of total revenue received through other revenue streams.	New indicator introduced after Strategic Plan revision.	65% of total revenue received through other revenue streams.	Average of 42% total revenue received through other revenue streams was achieved.	Target not achieved.  The process of exploring other funding model to increase revenue streams such as best practice fees not finalised.	The process of exploring other funding model to increase revenue streams such as best practice fees has been initiated and in progress.
% actual expenditure on budget.	New indicator introduced after Strategic Plan revision.	80% actual expenditure on budget.	Average of 79% actual expenditure on the projected budget was incurred.	Target not achieved  Certain expenditures were not incurred.	Exercise to identify root cause of underspending has been initiated.
Current ratio.	New indicator introduced after Strategic Plan revision.	2:3 : 1 – Current ratio.	Average of 3:03 current ratio was achieved.	Target achieved	Good financial and asset management.
% irregular expenditure/ budget.	New indicator introduced after Strategic Plan revision.	0.85% irregular expenditure/ budget.	Average of 0.13% of irregular expenditure to budget was incurred.	Target achieved	Effective internal controls.
SCM turnaround index.	New indicator introduced after Strategic Plan revision.	75% of SCM turnaround index.	Average of 70% SCM turnaround index was achieved.	Target not achieved  Specification rework, clarifications, time taken to schedule BEC meetings, staff capacity constraints.	The review process is underway to improve efficiency and performance of turnaround times.

#### Programme 1: Administration (Continued)

Sub-Programme:	miormation and C	ommunications Tec	nnology		
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Strategic Objective To achieve a 4th		CT governance frame	ework by 2020		
Level of maturity regarding implementation of ICT governance strategy.	New indicator introduced after Strategic Plan revision.	2 <sup>nd</sup> Level of maturity regarding implementation of ICT governance strategy.	The 2 <sup>nd</sup> level maturity was not achieved due to policy and framework not approved.	Target not achieved. IT Policy and Framework not approved.	The review and approval of the policy and framework to be completed by end of June 2018.
% Downtime of multiple systems.	New indicator introduced after Strategic Plan revision.	20% of downtime of multiple systems.	Average of 20% downtime of multiple systems was achieved.	Target achieved.	
% incidence/ reports attended to within a specific time.	New indicator introduced after Strategic Plan revision.	100 % incidence/ reports attended to within a specific time.	100% of incidence items were attended to within a specified time.	Target achieved.	

Sub-Programme: Strategic and Corporate Governance							
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations		
Strategic Object	tive <sup>.</sup>						

- To become a high performing organisation that will achieve all objectives and set targets
- To ensure that the cidb is complying to all legislative requirements
- To grow talented human capital by achieving a human capital value-add rating of 9% by 2020

% of targets	New indicator	80% of targets	39% of targets	Target not	Awareness
achieved in	introduced after	achieved in	were achieved.	achieved.	campaign and
scorecard.	Strategic Plan	scorecard.			Recovery Plan to
	revision.			Unrealistic target,	be implemented
				lack of monitoring	from June 2018.
				and project	
				management	
				failures.	

Programme 1: Administration (Continued)

D (	A street		A -41	Desiration 6	C
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
% of items approved in line with the 5-year strategy.	New indicator introduced after Strategic Plan revision.	25% of items approved in line with the 5-year strategy.	42% of items approved in line with its 5-year strategy.	Target achieved.	Effective governance processes.
% legislative compliance index.	New indicator introduced after Strategic Plan revision.	70% legislative compliance index.	78% of legislative compliance index was achieved.	Target achieved.	Effective systems and processes.
% of fraud cases reported investigated within specified timeframes.	New indicator introduced after Strategic Plan revision.	50% of fraud cases reported investigated within specified timeframes.	15% of fraud cases reported were investigated within specified time frames.	Target not achieved.  In 22 out of 26 fraud cases an investigation is still pending due to delays in appointing new service providers.	The appointment of the new service providers finalised and all outstanding cases will be investigated from May 2018.
% of service provider paid within 30 days.	New indicator introduced after Strategic Plan revision.	85% of service providers paid within 30 days.	83% of service providers on average were paid within 30 days.	Target not achieved.  Delay in approving invoices.	All invoices that meet requirements will be processed within 5 days.
% of budget spent on contracts.	New indicator introduced after Strategic Plan revision.	100% of budget spent on contracts.	15% of budget spent on contracts.	Target not achieved.  Unrealistic target.	Performance indicator deleted in 2018/19.
% Competency assessment index.	New indicator introduced after Strategic Plan revision.	60% of competency assessment index.	60% of Competency assessment index achieved. The competency framework was approved and formed part of the OD project plan.	Target achieved.	

#### Programme 1: Administration (Continued)

Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
% Employee satisfaction rating.	New indicator introduced after Strategic Plan revision.	50% of employee satisfaction rating.	0% of employee satisfaction rating achieved.	Target not achieved. Employee survey not performed.	The employee satisfaction rating will be conducted in 2018/19.
% Average employee performance assessment rating.	New indicator introduced after Strategic Plan revision.	Average employee performance assessment rating – 3:1.	Average of 2.65 of all employee performance assessment rating was achieved.	Target not achieved.  Performance evaluation of some official were not finalised by 31 March 2018.	Consolidation of all employee performance rating to be concluded in May 2018.

Sub-Programme	Sub-Programme: Office of the CEO						
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations		
of all Board de	sound governance p cisions and resolution eputable organisation	ns .		ve implementation			
% Board resolutions and decisions implemented within specified timeframes.	New indicator introduced after Strategic Plan revision.	70% of Board resolutions and decisions implemented within specified timeframes.	65% of Board resolutions and decisions implemented within specified timeframes.	Target not achieved.  Implementation of some resolution was not finalised on time.	Management is clearing outstanding resolutions.		

Programme 1: Administration (Continued)

Performance Actual Planned Annual Actual Deviation from					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Internal audit risk rating on final report.	New indicator introduced after Strategic Plan revision.	Strong audit risk rating on final report.	Moderate audit risk rating was achieved.	Target not achieved.  Inefficient and repeat findings of executive recruitment highlighted.	Management is giving priority to addressing significant findings that relate to system efficiency and recruitment of staff.
% of recurring audit findings that are resolved.	New indicator introduced after Strategic Plan revision.	60% of recurring audit findings that are resolved.	Average of 60% recurring audit findings were resolved.	Target achieved.	
% of completed Internal Audit.	New indicator introduced after Strategic Plan revision.	100% of completed Internal Audit.	60% of completed Internal Audit Plan was achieved.	Target not achieved.  Delay in the appointment of Internal Auditors.	The outstanding audits will be completed in May 2018.
% stakeholder perception index.	New indicator introduced after Strategic Plan revision.	25% of stakeholder perception index.	0% stakeholder perception index was achieved.	Target not achieved.  Stakeholder perception survey was not finalised.	Project has been prioritised for completion by end of July 2018.
% customer satisfaction rating.	New indicator introduced after Strategic Plan revision.	40% of customer satisfaction rating.	0% of customer satisfaction rating was achieved.	Target not achieved.  Customer satisfaction survey not done.	Project has been prioritised for completion by end of July 2018.

Programme 1: Administration (Continued)

Sub-Programme: Office of the CEO (Continued)						
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations	
% Intergovernmental relations (IGR) resolutions implemented.	New indicator introduced after Strategic Plan revision.	60% of IGR resolutions implemented.	0% of IGR resolutions was implemented.	Target not achieved.  Process of stakeholder engagement not finalised.	The stakeholder engagement model is to be tabled to cidb Exco in May 2018	

# STRATEGIC OBJECTIVES

2. Regulation and Advocacy								
Strategic Objectives	Actual Achievements 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on Deviations			
To increase compliance with the regulatory framework by ensuring projects and client developmental procurement practices achieve high levels of compliance.	New indicator introduced after Strategic Plan revision.	30% Register of Projects compliance index.	0% of Register of Projects compliance index was achieved.	Target not achieved.  Performance indicator not achievable due to negligible uptake by private sector and inaccessibility of construction permit information from the Department of Labour (DoL).	The cidb will continue to communicate with DoL and attempt to enter into a MoA for the DoL construction permit data.			
To enhance provincial footprint in support of cidb strategic objectives.	New indicator introduced after Strategic Plan revision.	% Provincial provincial performance index (baseline+2%).	Baseline was not determined.	Target not achieved.  Performance indicator was not achievable.	The new performance indicator and target were determined in 2018/19 APP.			

## **PERFORMANCE INDICATORS**

#### Programme 2: Regulation and Advocacy

Sub-Programme:	Sub-Programme: Regulatory Framework Compliance							
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations			
		ulatory framework b	y ensuring projects a	nd client developme	ntal procurement			
% developmental procurement index (for contractors and PSPs).	Not applicable.	Not applicable.	No annual target.					
% public sector project compliance index.	Not applicable.	Not applicable.	No annual target.					
% private sector project compliance index.	Not applicable.	Not applicable.	No annual target.					
% construction works contracts with dispute resolution index.	Not applicable.	Not applicable.	No annual target.					

Programme 2: Regulation and Advocacy (Continued)

Sub-Programme:	Registrations				
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Strategic Objective To achieve a 98°		tracts awarded to cor	rect level of contract	or or PSP by 2020	
% Register of Project information verified and corrected within eight weeks index.	New indicator introduced after Strategic Plan revision.	80% Register of Project information verified and corrected within eight weeks index.	4% of register of Project Information were verified and corrected within eight weeks.	Target not achieved.  Of 84 records, 80 were outside the cidb's control.	Ongoing client capacitation; input filters and variation being introduced to CRM.
% of Grade 2 to 9 contractors and PSPs registered within 21 working days.	82% of Grade 2 to 9 contractors registered within 21 working days.	80% of Grade 2 to 9 contractors and PSPs registered within 21 working days.	95% Grade 2 to 9 contractors and PSPs in average were registered within 21 working days.	Target achieved.	Efficiency of the registration process.
% of Grade 2 to 9 contractors and PSPs correctly graded through validation and verification sampling.	New indicator introduced after Strategic Plan revision.	95% of Grade 2 to 9 contractors and PSPs correctly graded through validation and verification sampling.	98% of Grade 2 to 9 contractors were correctly graded.	Target achieved.	Efficiency of the registration process.
% of Grade 2 to 9 contractors and PSPs satisfied/ very satisfied with registration services.	New indicator introduced after Strategic Plan revision.	60% of Grade 2 to 9 contractors and PSPs satisfied/very satisfied with registration services.	79% rating of satisfaction was obtained from Grade 2 to 9 contractors.	Target achieved.	Efficiency of the registration process.

Programme 2: Regulation and Advocacy (Continued)

Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual	Comments on Deviations
				Achievement 2017/18	
Strategic Objective To enhance prov	<b>/e:</b> vincial footprint in su	pport of cidb strateg	gic objectives		
% customer registration satisfaction rating.	96% of customer registration satisfaction rating was achieved.	96% of customer registration satisfaction rating.	99% of customer registration satisfaction rating was achieved.	Target achieved.	Efficient registration services.
% Grade 1 contractors activated within 48 hours.	93% of Grade 1 contractors activated within 48 hours.	94% of Grade 1 contractors activated within 48 hours.	92% of Grade 1 contractors were activated within 48 hours.	Target not achieved. System breakdown.	System challenges resolved.
% of contractors graduating from CDP's provincial index.	New indicator introduced after Strategic Plan revision.	5% of contractors graduating from CDP's provincial index.	0% of contractors graduating from CDP's provincial index was achieved.	Target not achieved.  Assessment of contractors not finalised in nine provinces.	Assessment process of contractors graduating from CDPs to be finalised by end of June 2018.
% Contractor and PSP recognition provincial index.	New indicator introduced after Strategic Plan revision.	5% contractor and PSP recognition provincial index.	0% contractor and PSP recognition provincial index.	Target not achieved.  Awareness workshops held in all provinces, but slower uptake than expected (only four construction management systems [CMS] recognised in SA).	Awareness workshops held in all provinces, but slower uptake than expected (only four construction management systems [CMS] recognised in SA)
% projects compliance provincial index.	Not applicable.	Baseline determined.	An index for provincial projects compliance was not determined.	Target not achieved.  Private sector: index could not be determined due to no agreement concluded with DoL.	Public sector: ongoing capacitation Private sector: MoA with DoL to be pursued.

Programme 2: Regulation and Advocacy (Continued)

Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
% provincial performance index.	New indicator introduced after Strategic Plan revision.	Baseline determined.	The baseline was determined after March 2018.	Target not achieved.	The submission of index was finalised after March 2018 for Exco for approval.
% provincial business advisory services to contractors at grades 2 to 6 index.	New indicator introduced after Strategic Plan revision.	75% provincial business advisory services to contractors at grades 2 to 6 index.	The process to establish business advisory services has not been finalised.	Target not achieved.	The framework for the establishment of provincial business advisory services through partnerships will be assessed.
% Project Assessment Scheme compliance provincial index.	New indicator introduced after Strategic Plan revision.	85% Project Assessment Scheme compliance provincial index.	0% of Project Assessment Scheme compliance provincial index was achieved.	Target not achieved.	Draft regulations were published for public comment. The approval processes of the Final Regulations amendments are underway and planned for cidb Board subcommittee review before end of June 2018.

# STRATEGIC OBJECTIVES

3. Development a	3. Development and Capacitation							
Strategic Objectives	Actual Achievements 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on Deviations			
To support risk management within the industry to ensure that by 2020 at least 85% of projects comply to contractor and client performance ratings.	New indicator introduced after Strategic Plan revision.	% of contractor and PSP satisfaction with clients index.	No annual target.					
To improve availability of developmental support to at least 0.05% of the total construction Gross Fixed Capital Formation (GFCF) by 2020.	Not applicable.	% of client satisfaction with contractors and PSPs index.	No annual target.					
To improve the skills development pipeline by providing 4 000 learners with access to workplace learning opportunities by 2020.	Not applicable.	% of artisan development index.	No annual target.					

## **PERFORMANCE INDICATORS**

#### **Programme 3: Development and Capacitation**

Sub-Programm	e: Contractor and P	SP recognition			
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Strategic Objec				east 85% of projects of	

% contractor and PSP recognition index.	New indicator introduced after Strategic Plan revision.	5% contractor and PSP recognition index.	0% of contractor and PSP recognition index was achieved.	Target not achieved.  Only four CMS were recognised.	Ongoing communication with contractors.  Communication plan to clients to be implemented.
% projects with contractor and PSP performance ratings by clients.	New indicator introduced after Strategic Plan revision.	75% projects with contractor and PSP performance ratings by clients.	0% projects with contractor and PSP performance ratings by clients was achieved.	Target not achieved.	Regulation to give effect to Project Assessment Scheme submitted to Minister for final publication. Regulation to give effect to Performance Reports to be submitted to Exco on August 26 for submission to Board for public comment.
% projects with client performance ratings by contractors and PSPs.	Not applicable.	Not applicable.	No annual target.		
% projects specifying contract participation goals (CPGs) for targeted enterprises and targeted labour.	Not applicable.	Not applicable.	No annual target.		

Programme 3: Development and Capacitation (Continued)

Sub-Programme:	Sub-Programme: Development Opportunities and Support						
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations		
	<b>/e:</b> ability of developme ital Formation by 202		ast 0.05% of the tota	al construction			
% developmental support of construction GFCF.	Not applicable.	Not applicable.	No annual target.				
% of contractors graduating from CDPs.	New indicator introduced after Strategic Plan revision.	5% of contractors graduating from CDPs.	0% of contractors graduating from CDPs was achieved.	Target not achieved.  Recognition of contractors not yet completed.	Assessment of contractors graduating from CDPs to be finalised by end April 2018.		
% Project Assessment Scheme compliance index.	Not applicable.	Not applicable	No annual target				
% accelerated contractor growth index.	Not applicable.	Baseline determined.	An index of accelerated contractor growth index was not determined.	Target not achieved.  Online query system in place but not yet linked to the web for registration and recording purposes.	System to be linked to the web by end of June 2018.		
% contractors with more than 30 H&S demerit points on public and private sector	Not applicable.	Not applicable.	No annual target.				

contractor.

# STRATEGIC OBJECTIVES

4. Industry Perfo	4. Industry Performance and Transformation						
Strategic Objectives	Actual Achievements 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on Deviations		
To grow and develop contractors through establishment of partnerships and other collaborative initiatives.	Not applicable.	No applicable.	No annual target.				
To become a reputable organisation through sound stakeholder relations and improved customer satisfaction levels by 2020.	New indicator introduced after Strategic Plan revision.	25% cidb perception and acceptance index.	0% cidb perception and acceptance index was achieved.	Target not achieved.  No perception and acceptance survey was done.	The perception survey will done in 2018/19 and strategic objective was moved to Programme 1 2018/19 APP.		
To monitor the growth and transformation of the construction industry to achieve transformational targets by 2020.	New indicator introduced after Strategic Plan revision.	10.3% of construction GFCF of GDP.	9.4% of construction GFCF of GDP was achieved.	Target not achieved.  Construction sector is in a technical recession.	cidb is focusing on initiatives to reduce the underspend at provincial and municipal levels.		
To improve the capacity and competitiveness of the construction industry by 2020.	Not applicable.	% public sector contract awards index (baseline determined).	Baseline was determined at 50%.	Target achieved.			

## **PERFORMANCE INDICATORS**

#### Programme 4: Industry Performance and Transformation

Sub-Programme:	Sub-Programme: Construction Industry Monitoring and Evaluation							
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations			
Strategic Objective To monitor the	<b>/e:</b> growth and transforr	mation of the constru	uction industry to acl	nieve transformation	al targets by 2020			
% User profile index.	Not applicable.	Not applicable.	No annual target.					
% Industry transformative index.	Not applicable.	Baseline determined.	Baseline determined is 28%.	Target achieved.				
% public sector SME contracts awards index.	Not applicable.	Baseline determined.	Baseline determined is 50%.	Target achieved.				
% of contractor payment within 30 days index.	New indicator introduced after Strategic Plan revision.	81% of contractor payment within 30 days index.	0% of contractor payment within 30 days index.	Target not achieved.  Regulation amendments approved by cidb board in March 2017 were not yet gazetted as final regulations. Therefore, clients were not compelled to complete closeout report.	The process of monitoring payments will be implemented after regulations have been finalised.			

Programme 4: Industry Performance and Transformation (Continued)

Sub-Programme: Business and Policy Advisory Services							
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations		
Strategic Objection To improve the		titiveness of the cons	truction industry by	2020			
% public sector SME contracts awards index.	Not applicable.	Baseline determined.	Baseline determined is 50%.	Target achieved.			
% advisory services provided to contractors at level 2 – 6 rated as good.	Not applicable.	Baseline determined.	Baseline not determined.	Target not achieved.  The draft business plan and strategy are still to be submitted to Exco for an approval.	The business plan and strategy will be submitted by end of September 2018.		
# of export advisory services provided to contractors at grades 5 to 9.	Not applicable.	Baseline determined.	Baseline was determined and submitted to Exco.	Target achieved.			

Programme 4: Industry Performance and Transformation (Continued)

Sub-Programme: Performance and Collaboration													
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations								
Strategic Objective:  • To improve the capacity and competitiveness of the construction industry by 2020													
% index rating inadequate access to credit as a constraint.	Not applicable.	35% index rating inadequate access to credit as a constraint.	40.6% index rating inadequate access to credit as a constraint.	Target not achieved.  Contractors surveyed reflected a decrease in credit available in the market.	The MoA being developed with Small Enterprise Development Agency (sefa) and the Best Practice Fee. The cidb is working towards Board approval of both by end-September 2018.								
% contractors grown through strategic partnerships.	Not applicable.	e. Establish baseline. Baseline not determined.		Target not achieved.  The draft business plan and strategy are still to be submitted to Exco for approval.	The business plan and strategy will be submitted by end of September 2018.								
% index of quality and relevance of current construction industry training programme.	Not applicable.	Not applicable.	No annual target.										
R-value credit available to construction enterprise by development finance institutions (DFIs).	Not applicable.	Not applicable.	No annual target.										

# 1. OVERALL PERFORMANCE OF cidb IN 2017/18 APP

The reasons for the overall poor performance to achieve the targets for 2017/18 can largely be attributed to the following factors:

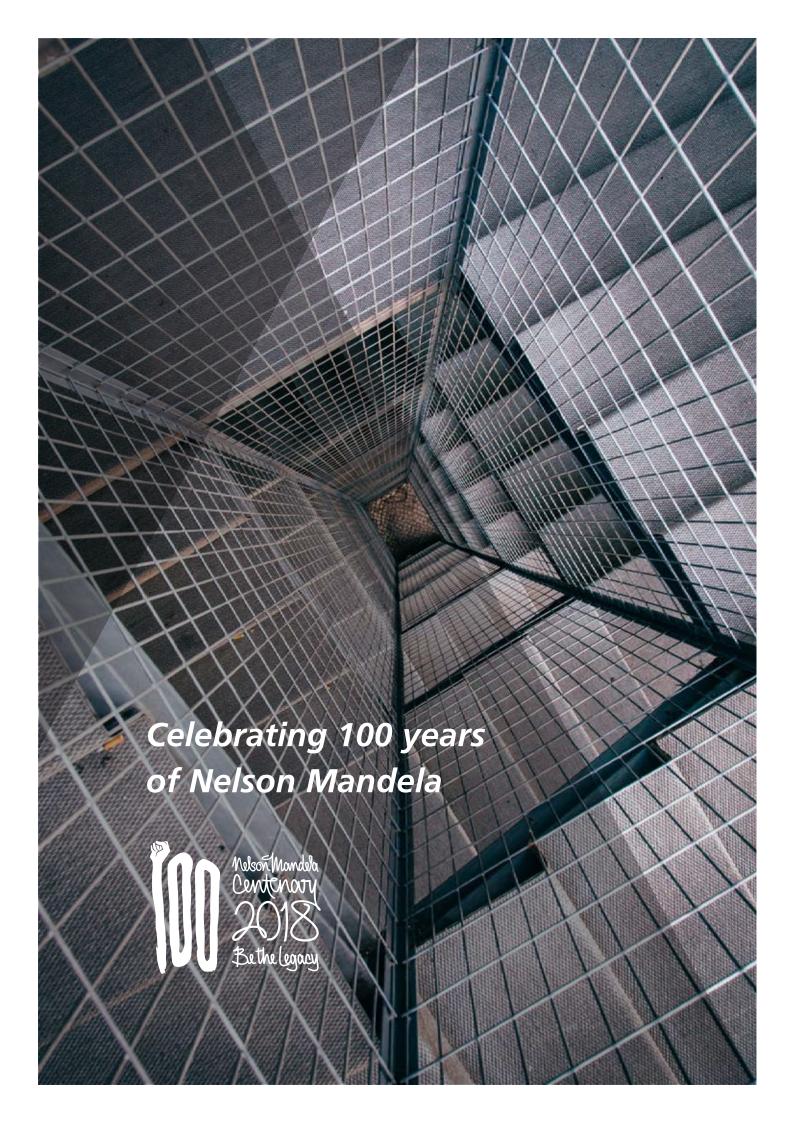
Internal inefficiencies and poor project management	18
2. Unrealistic (inappropriate) targets that are impractical to achieve	13
3. Incorrect alignment between the performance indicator, the planned target and the actual achievement	7
4. Misalignment between the Annual Performance Plan (APP) and the Technical Indicator Descriptor (TID), which resulted in inconsistency and errors between TIDs and quarterly targets	7



"For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others." – Nelson Mandela

# 2. CORRECTIVE ACTION

No	Action	2018/19 Q1	2018/19 Q2	2018/19 Q3	2018/19 Q4	2019/20	2020/21
1	Minister to uplift moratorium on recruitment		X				
2	Finalisation of organisational design process			Х			
3	Appointment of executive positions			X			
4	Appoint of first level critical positions in terms of revised organisational design			Χ			
5	Appoint other priority positions in terms of revised organisational design				X	X	X
6	Review incomplete 2017/18 performance targets and re-plan for 2018/19		X				
7	Undertake a risk assessment of all 2018/19 performance targets	X					
8	Develop an improved Strategic Plan for the next five-year strategic planning cycle commencing 1 April 2020		X			X	
9	Conduct performance management workshops for cidb head office and all provincial offices	X				X	X
10	Monthly monitoring, reporting and management of corrective actions within areas of responsibility and review by Exco	X	Monthly	Monthly	Monthly	X	X
11	Performance contracts with all staff must reflect performance targets documented in the SP and APP		X			X	X
12	Performance assessments of Executive, Senior Management and all personnel must, where applicable, reflect any failure to achieve performance targets		X		X	X	Х





SABS Campus, Blocks N&R, 2 Dr Lategan Road, Groenkloof, Pretoria, 0001 PO Box 2107, Brooklyn Square, 0075

Tel +27 12 482 7200 cidb National Number 086 100 2432 Anonymous Fraud Line 0800 112 452 E-mail cidb@cidb.org.za

#### www.cidb.org.za

Construction Industry Development Board (cidb): Annual Report 2017 /2018 **RP362/2018 ISBN:** 978-0-621-46746-8