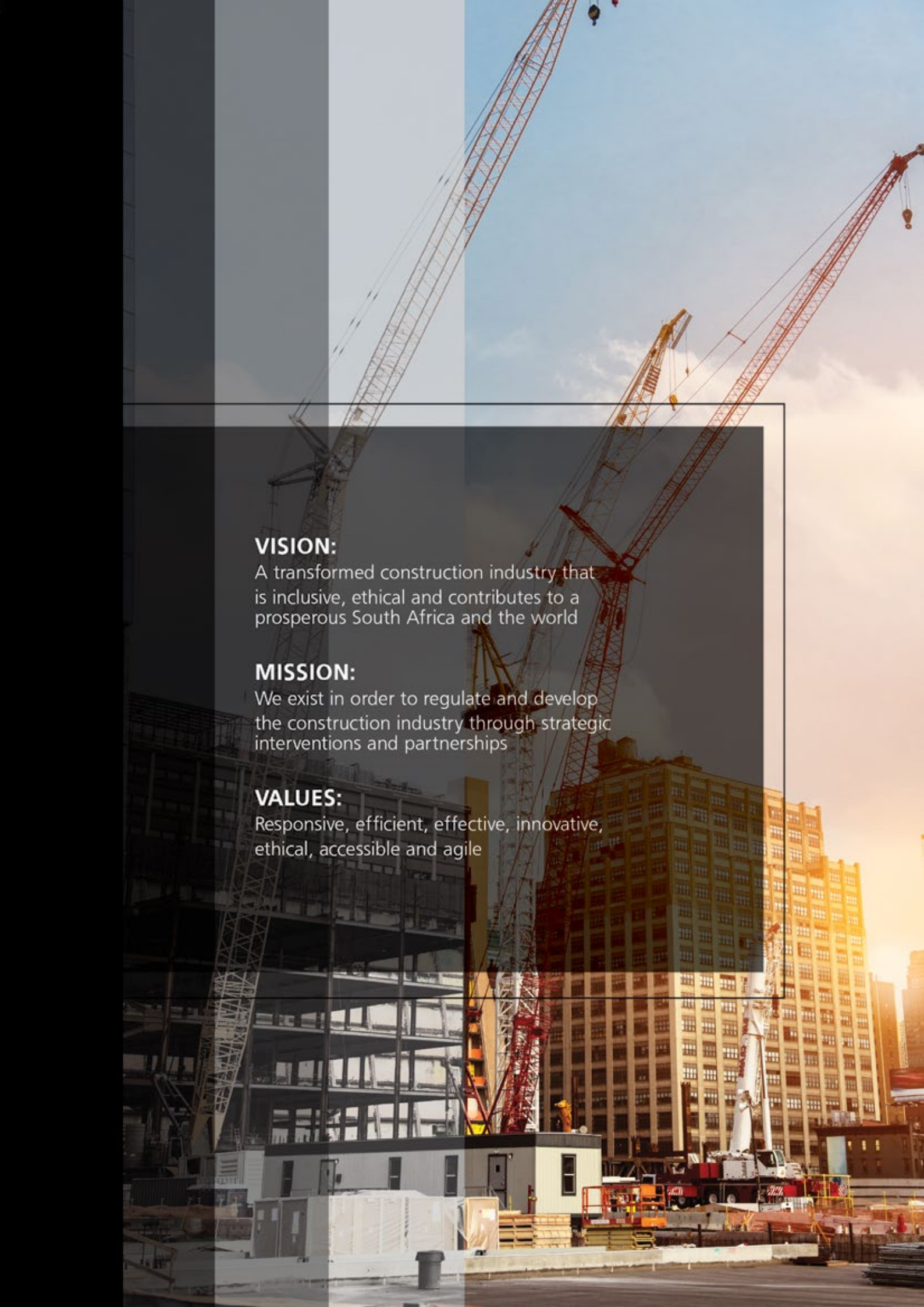




ANNUAL REPORT

2016/2017

The background image shows a construction site at dusk or dawn. Several large red tower cranes are visible against a sky with soft orange and blue hues. In the foreground, there's a concrete structure under construction, and in the background, a tall, multi-story building with many windows is visible. The overall scene is industrial and urban.

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

cidb ANNUAL REPORT 2016/2017

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GENERAL OVERVIEW

ABBREVIATIONS

APL	Assessment of Prior Learning	GB	General Building
APP	Annual Performance Plan	GDP	Gauteng Province
ARC	Audit and Risk Committee	HR	Human Resource
BBBEE	Broad Based Black Economic Empowerment	IT	Information Technology
BCI	Building Cost Index	KZN	KwaZulu-Natal
BEPs	Built Environment Professions	LP	Limpopo Province
BER BCI	Bureau for Economic Research Building Cost Index	ME	Mechanical Engineering
BEPEC	Built Environment Professions Export Council	MP	Mpumalanga Province
BPM	Business Process Management	NC	Northern Cape
CD	Contractor Development	NCDP	National Contractor Development Programme
CDP	Contractor Development Programme	NEHAWU	National Education, Health and Allied Workers Union
CE	Civil Engineering	NW	North West
CESA	Consulting Engineers South Africa	PPPFA	Preferential Procurement Policy Framework Act
CID	Construction Industry Development Regulations	PSPs	Professional Service Providers
cidb	Construction Industry Development Board	RoC	Register of Contractors
CPAP	Contract Price Adjustment Provisions	RoP	Register of Projects
CPG	Contract Participation Goals	SABS	South African Bureau of Standards
CPI	Consumer Price Index	SARS	South African Revenue Service
CPOs	Construction Procurement Officers Forum	SCM	Supply Chain Management
CSCC	Construction Sector Charter Council	SIPDM	Improved Procurement and Delivery Management
DPW	Department of Public Works	SME	Small and Medium Enterprises
dti	Department of Trade and Industry	SOC	State Owned Corporations
EB	Electrical Engineering	SW	Specialist Works
EC	Eastern Cape	TVET	Technical and Vocational Education and Training
EP	Electrical Engineering; Power	VRP	Voluntary Rebuild Programme
EXCO	Executive Committee	WC	Western Cape
FS	Free State	WIS	WorldSkills International

MINISTER'S FOREWORD

Mr Nkosinathi Nhleko



This Construction Industry Development Board (cidb) annual report highlights milestones that the entity has achieved as well as challenges that it faced during the 2016-2017 financial year.

The cidb has a critical role to play in the development of infrastructure and achievement of the National Development Plan (NOP) goal to increase public sector infrastructure investment to 10% of GDP by 2030 and R947 billion budgeted by the government for infrastructure development rollout over the next three years.

The CIDB Act empowers the board to play a leading role in promoting the development of the construction industry, thus contributing ultimately to the country's growth. Construction is the backbone of South Africa's economic and social development, providing not only the physical infrastructure on which economic activity thrives, but creating significant employment opportunities.

"The year under review brought renewed focus on transformation in many industries, including the construction sector. "

In keeping with the ever-louder call to deepen transformation and bring the historically marginalised into the mainstream of the economy, the cidb reviewed its strategic plan to strengthen and enhance the focus on transformation of the construction industry, while refining its regulatory and developmental roles.

We are confident that cidb, through its new strategic plan, will acquit itself admirably in contributing to the fulfilment of these ideals. In so doing, it has my unwavering support and that of the Department.

I look forward to building on the already sound relationship between the Department and the cidb and to consultation with the executive on important issues such as amendments to the CIDB Act, which will bolster the organisation's effectiveness by defining its powers and interpreting its functions to enable effective execution of its developmental and regulation mandate.

As the tenure of the Board ends during the forthcoming year, I would like to thank the Board members for their tireless efforts to guide and steer this crucial entity. I have no doubt that the organisation has benefited enormously from the Board's expertise, which, complemented by the dedication and commitment of all members of the cidb team, has resulted in another sterling year.

Hon. N P T Nhleko
Minister of Public Works
21st September 2017

CHAIRPERSON'S REPORT



"Although the economy is still under pressure, there are indications of a slight improvement. From an estimated 0.5% increase in 2016, the economy is expected to grow by 1.3% in 2017 and 2% in 2018 as economic conditions strengthen."

During 2016/17, the construction industry captured its fair share of media headlines. The industry still has a less-than-50% rate of compliance with health and safety standards and is dogged by incidents that point to poor workmanship and a lack of adequate on-site supervision. This year brought the Charlotte Maxeke roof collapse and several fatal accidents including the Fourways Mall expansion project, to name but two.

But, in another area, the industry proved that even negative news can generate a positive outcome. The collusion scandal involving the major construction companies that left an extremely sour taste on the South African palate took an about-turn last year, when the offending companies reached an agreement with the government that will see R1.5-billion channelled into black economic empowerment of the sector over 12 years. This pact will provide a boost to an industry seeking an overhaul of its profile through changes of ownership and shareholding, and empowerment of those who remain on the sidelines.

Initiatives to be funded include development of young trainee artisans and engineers from disadvantaged backgrounds, the teaching of maths and science education at public schools, funding for social infrastructure, and the development and promotion of construction companies owned and managed by black people.

New strategic roadmap

A highlight of this financial year, and a major milestone in the history of cidb, was the redrafting of its strategic plan to the year 2020. The move was prompted by the Board's belief that the purpose and role of the cidb should be focused more intently on transformation and on capacitating and improving the performance of emerging enterprises through development support and best practice standards. The cidb, it was felt, should steadily improve its grading criteria and implement measures to enhance work opportunities for enterprises from disadvantaged groups.

The issues were debated vigorously during strategy sessions involving the Board, executive and staff. A major finding was that the founding legislation and the architecture of the organisation were not aligned as they should be for successful results.

The importance of cidb as a catalyst for economic growth, job creation and the creation of an inclusive industry was emphasised.

While acknowledging the cidb's achievements to date as a sound platform on which to build, the new strategic plan recognises that government outcomes and the rollout of its infrastructure plan are central to the growth and transformation of the economy and the construction industry, and that infrastructure delivery should be central to job creation, employment, skills development, poverty reduction and the health and welfare of the workforce.

During the review process, the Board adopted transformation, development, regulations, partnership and high-performance organisation as cidb pillars. From these pillars, five goals were identified:

- An inclusive, growing construction industry;
- Innovative and thriving construction environment ;
- Sound corporate governance;
- Reputable regulation, and
- Alliance with industry stakeholders to achieve cidb's strategic intent.

A year of achievement

During the review year, the organisation continued its regular engagement with stakeholders, hosting nine provincial liaison meetings. These were an excellent opportunity to unpack issues affecting both the large and small players in the construction industry, such as sluggish transformation, lack of work opportunities, cidb registration criteria and registration service, tender-related corruption in client departments, conditions of subcontracting and late payment to contractors.

Appreciation

To my fellow Board members, thank you for your support through the year and for the many sessions of healthy, robust discussion on issues of major importance to our industry and country. As the end of our three-year term approaches, I'm sure I speak for all Board members when I say that we will watch the cidb's journey with interest and more than a little pride. As the Board, we wish the new office bearers well as they steer the organisation to the heights we all know it can achieve.

To the cidb team, I extend the Board's sincere appreciation for putting the organisation first and making its work truly count. With a new journey mapped out and consensus that cidb needs to remain relevant and responsive to industry needs, the coming year will demand much of you. I ask that you all keep up your proud tradition of never flinching in the face of a challenge, never failing to grab an opportunity to improve and never giving anything but your best in the pursuit of the lofty goals of this worthy institution.


.....
Lufuno Nevhatalu
Board Chairperson
31st July 2017



BOARD MEMBERS



BOARD
CHAIRPERSON

Lufuno Nevhutalu



BOARD
MEMBER

Christopher Siphiwe Jiyane



BOARD
MEMBER

Dr. Natalie Skeepers



BOARD
MEMBER

Gonasagran Maduray



BOARD
MEMBER

Hareesh Patel



BOARD
MEMBER

Lefadi Makibinyane



ACTING CEO'S REPORT



"This financial year has been another successful one in the cidb journey to transform and professionalise the South African construction industry."

The year was defined by the recrafting of the strategic plan, taking focus in the five following strategic pillars to guide our developmental and regulatory work:

- An inclusive, growing construction industry;
- Innovative and thriving construction environment ;
- Sound corporate governance;
- Reputable regulation, and
- Work in alliance with industry stakeholders to achieve cidb's strategic intent.

We are confident that the plan will change the organisation for the better, creating a structure conducive to high performance and effective stakeholder partnerships and to living the values of: responsiveness, efficiency, effectiveness, innovativeness, ethical behaviour, accessibility and agility.

The organisation notched up several successes in executing its core functions during the year.

The decision to suspend downgrading of contractors in Grades 1 to 6 was a step forward in the achievement of inclusivity. Downgrading traditionally occurs when a contractor does not sustain a particular order book, but, given South Africa's prevailing economic conditions, a downgrade would be an unfair penalisation for factors beyond the contractor's control.

The refinement of our strategy has improved our focus on development and on ensuring that markets that were intended for each grade are restored. Consequently, we will

be moving to rebase the maximum tender values applicable to each grade, as these have not been adjusted since 2008. The market restoration, is intended to be maintained through inflationary adjustment going forward.

Currently, those who have stayed in their grades have experienced shrinking margins and markets, exacerbated by increased costs.

Paramount is our focus on aligning our actions with the country's national imperatives of reducing inequality, unemployment, poverty and redressing the social deficit in our society.

In a typical infrastructure envelope, particularly within the non-residential component of the sector in which the cidb operates, it can be argued that 50% of every rand spent on infrastructure goes outside the general building and civil engineering classes of works and products into the mechanical, electrical and the specialist classes of work, where there is scope for growth, transformation and development. These classes of work do not adequately reflect the demographics of the country.

Given the current broad-based black economic empowerment (BBBEE) codes, the gap between where we are and where we should be is still too wide.

Having instituted disciplinary proceedings against 15 companies charged with breaching the cidb code of conduct, the organisation opted for a voluntary restitution process (VRP) with the aim of advancing development in the sector. This decision was also in keeping with our new strategic direction.

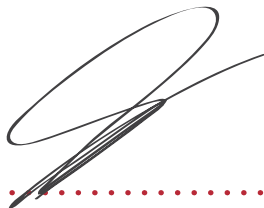
Government has assigned the cidb a monitoring and arbitration role during the VRP process. This will not only assist us in our quest to become a reputable regulator. The Competition Commission has provided us with its report on the situation and we are liaising with the Commission to make sure that we are not found wanting or sitting on the wrong side of competition law. This cooperation is in line with our goal of creating work partnerships, allowing us to take better advantage of the work of other organs of state.

Our ultimate objective is to regulate this market so that it does not adversely affect nor materially reduce social welfare. However, regulating this sector effectively is no easy task. According to Corruption Watch's Global report on corruption, the construction industry has consistently ranked as second-most corrupt sectors in the world, and this reality is certainly correlates South Africa. That alone illustrates the magnitude of the challenge we face as a regulator.

Questions remain as to the adequacy of our responsiveness. We have delivered to an extent on our mandate of regulating the industry, but we could do more to respond, both reactively and proactively, to public policy priorities.

As we enter the new financial year, cidb staff and management will continue to look to the Minister of Public Works, Nkosinathi Nhleko, for strategic guidance and contextualisation of their work, and will rely on the unwavering support of the outgoing Board members, ably led by Lufuno Nevhatalu, who have contributed their valuable time and considerable expertise over the last three years.

As a built environment management professional who has served the Department of Public Works for many years and amongst others included the department's turnaround, I feel privileged to have been given this opportunity to provide stewardship leadership to the cidb at this very exciting period in its development.



Mfezeko Gwazube

Acting Chief Executive Officer
31st July 2017

"I thank the executive and staff for welcoming me to the position and for their support to date. You have my assurance that I will, in turn, support your efforts to build cidb into a formidable force for change in the construction industry."

Harnessing opportunities to strengthen the cidb mandate

The cidb is a Schedule 3a institution established in terms of CIDB Act 38 of 2000. The mandate of the cidb is to implement an integrated strategy for the reconstruction, growth and development of the construction industry.

To this end, the cidb's enabling legislation gives the entity the powers to:

- a) Provide strategic leadership to the construction industry;
- b) Promote best practice within the construction industry;
- c) Advance uniform application of policy with regards to construction industry development;
- d) Promote uniform and ethical standards within the construction industry;
- e) Promote sustainable growth of the construction industry and the participation of the emerging sector;
- f) Promote appropriate research;
- g) Advise the Minister on policy and legislation impacting the construction industry; and
- h) Advise the Minister on the effectiveness of the implementation of policies, programmes and legislation.

Lessons learned over the past fifteen years of putting the cidb legislative mandate into operation reveal a number of key areas where the CIDB Act needs to be strengthened to:

- align the powers of the organisation with the intended outcomes of the legislation that created it;
- align the powers and functions of the cidb with industry needs and expectations;
- strengthen the cidb's powers and authority to regulate the industry;
- remove areas of ambiguity and vagueness in the roles and responsibilities of the cidb; and
- Reconcile the seemingly conflicting and contradictory dual role of the cidb to regulate and develop the construction industry.

These areas were extensively interrogated by the ad hoc Board Committee, working together with the cidb management during the period under review. The Committee was established to interrogate cidb legislation and its attendant Construction Industry Development Regulations, with the aim to provide a comprehensive and informed cidb input to a Public Works initiative to have the CIDB Act reviewed.



Review of cidb 5-year Strategic Plan

The cidb undertook a study in 2015, to assess its own organisational capability and capacity to carry out its mandate as outlined in the Construction Industry Development Board Act 38 of 2000.

The outcome of the study revealed a critical need for the cidb to:

- Realign its strategy, structure and programmes with its founding legislation;
- Reconcile the mandate to the needs and expectations of its broad stakeholder base; and
- Adapt to the dynamic nature of its operating environment.

The study further pointed to the need to re-examine the alignment of people, systems and processes underpinning the efficient and effective functioning of the cidb.

Informed by the outcomes and recommendations of the study, the Board endorsed the process to overhaul cidb Strategic Plan 2015/16 to 2019/20 and the decision to

submit a revised plan for approval to the Minister, during the period under review.

The development of a revised 2015/16 to 2019/20 Strategic Plan, as well as the revised 2017/18 Annual Performance Plan (APP) occupied a significant amount of time, effort and the focus of the cidb Board and management during the financial year under review.

As an outcome of the strategic review process, the Board has adopted transformation, development, regulations, partnership and high performance organisation as the pillars of the cidb's new strategy. Emerging from these pillars are five goals to promote:

1. An inclusive growing construction industry;
2. Innovative and thriving construction environment ;
3. Sound corporate governance;
4. Reputable regulation; and to
5. Work in alliance with industry stakeholders to achieve cidb's strategic intent.

The cidb has further redefined its vision, mission and values to embody the new strategic trajectory as follows:

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

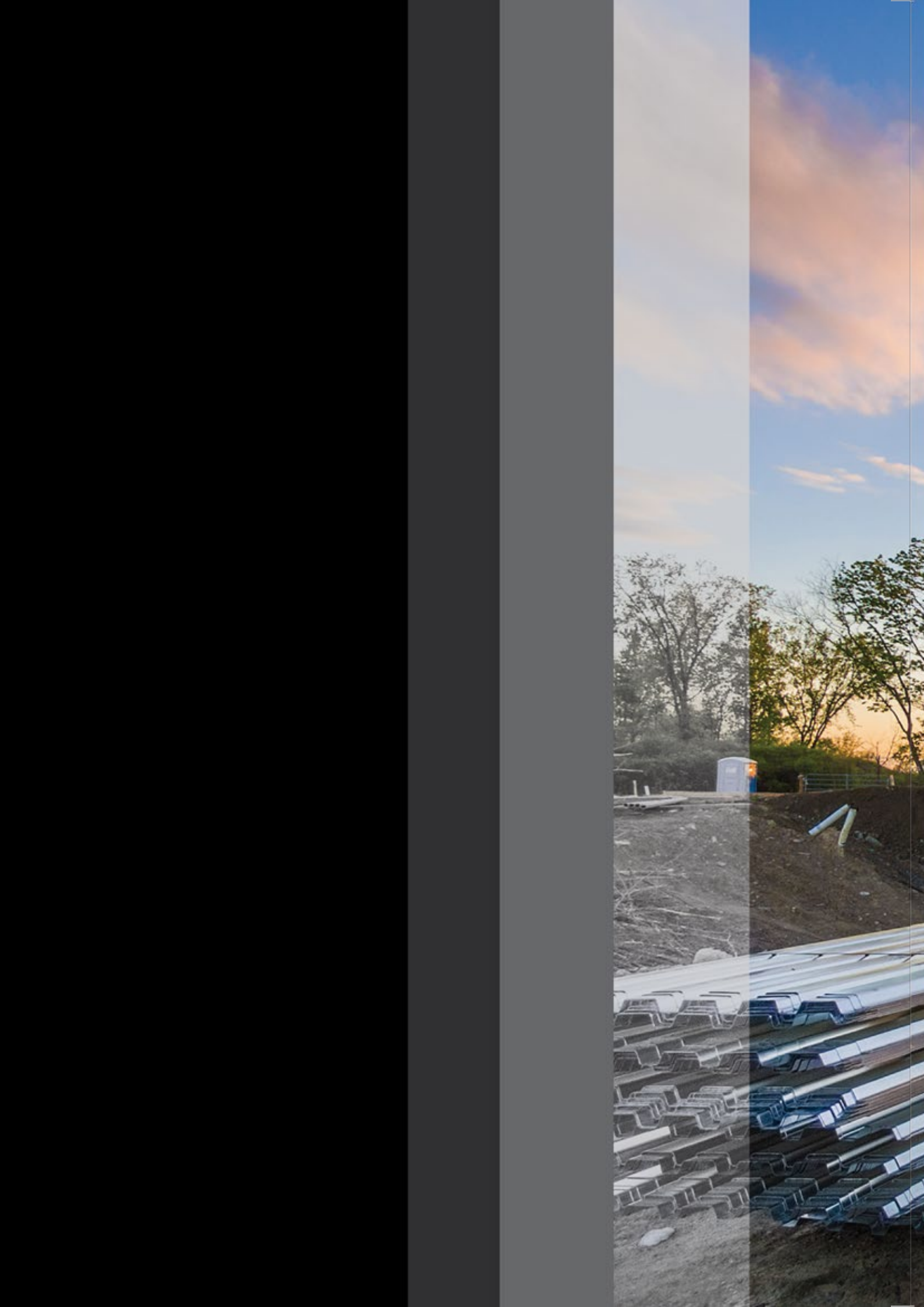
VALUES

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

.....

The Minister of Public Works has approved the new cidb strategy and shared it with Parliamentary Committees.

.....





PUBLIC SECTOR PROCUREMENT REFORM

CIDB PROCUREMENT PRESCRIPTS

The Construction Industry Development Board (CIDB) Act 38 of 2000 mandates the cidb to promote procurement reform and to, within the framework of the policy of Government, promote the standardisation of the procurement process with regards to the construction industry.

In furtherance of this mandate, the cidb has established:

- The Standard for Uniformity in Construction Procurement which establishes uniform systems, processes, procedures and documentation across the public sector;
- The Register of Contractors (RoC) which grades and categorises contractors according to capability to carry out construction projects;
- i.Tender/ Register of Projects (RoP) providing for mandatory advertising of construction tenders and registration of construction awards on the cidb website; and
- The Code of Conduct for all parties engaged in construction procurement.

Together these instruments constitute the cidb prescripts. It is mandatory for all public sector clients to comply with the cidb prescripts when procuring for construction works. The Construction Industry Development (CID) Regulations of 2004, as amended, establish the legal framework for the cidb to enforce industry compliance with these prescripts.

REGISTER OF CONTRACTORS

The Register of Contractors is established in terms of the CIDB Act (Act 38 of 2000). It grades and categorises contractors according to financial and works capability. It is mandatory for public sector clients to apply the Register when considering construction works tenders. The Register of Contractors facilitates public sector procurement and forms a key component of the public sector infrastructure procurement regime.

It is underpinned by the Construction Industry Development (CID) Regulations of 2004, as amended. These regulations also set out the criteria for registration of contractors.

The role of the Register in facilitating procurement and of clients in harnessing procurement to develop the emerging sector came under the spotlight during cidb engagement with contractors in the 2016/17 Provincial Stakeholder Liaison Meetings.

Contractors highlighted the need for clients to apply the Register of Contractors to promote development and transformation and for the cidb to enforce client compliance with the CID Regulations.

The extent to which the contracting sector remains vulnerable and susceptible to the harsh impact of fluctuating market and economic conditions also came under the spotlight, with contractors voicing the need for the registration criteria to come under review to avoid downgrading.

Downgrading results when contractors fail to sustain the requirements of their grades at the end of the three year registration validity period.

About 24% of contractors struggled to maintain their cidb grading at three-year renewal during the period under review, due to poor economic conditions and diminishing work opportunities.

To ameliorate the situation the cidb Board took a decision to suspended downgrading for contractors in Grades 2 to 6 as an interim measure pending a proper review of the registration criteria. This assisted 500 contractors to retain their grades.

Table 1: Registrations across the grades and classes of works during 2016/2017

DESIGNATION	CE	EB	EP	GB	ME	SW	TOTAL
1	37754	1834	7240	71581	7015	20717	146141
2	2950	248	305	4160	443	958	9064
3	1416	99	158	1054	145	238	3110
4	1614	166	392	1527	301	265	4265
5	913	96	239	798	166	168	2380
6	1161	91	278	1018	199	156	2903
7	679	51	140	544	106	88	1608
8	247	9	54	215	56	28	609
9	104	4	39	65	45	12	269
TOTAL	46838	2598	8845	80962	8476	22630	170349

Note: Contractors may be registered in multiple classes of work

CE – Civil, **EB/EP** – Electrical, **GB** – Building, **ME** – Mechanical, **SW** – Specialist class of works

The number of registrations processed across provincial offices varies significantly with Gauteng and KwaZulu-Natal the busiest provinces. Table 2 below shows the breakdown of registrations processed across Grades 1 to 9 in different provinces. Most of the larger firms have established head offices in the Gauteng Province but conduct operations across all provinces. The cidb organisational design initiative underway will take provincial dynamics into account when redesigning the cidb structure to best meet provincial peculiarities.

Table 2: Number of registrations per grade, per province

	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpumalanga	North West	Northern Cape	Western Cape
Grade									
1	20820	7261	45985	25273	14647	12719	9480	3778	6177
2	945	438	2199	2834	547	621	602	300	578
3	319	134	657	1198	226	175	138	74	189
4	480	199	1184	951	457	373	233	85	303
5	237	104	716	533	233	240	133	47	137
6	224	151	970	554	335	274	142	49	204
7	115	53	633	290	163	132	71	21	130
8	45	25	310	77	31	35	29	12	45
9	5	9	190	23	3	6	1	0	30
TOTAL	23190	8374	52844	31733	16642	14575	10829	4366	7793

ENFORCEMENT OF COMPLIANCE TO CIDB PRESCRIPTS

Compliance with Register of Projects

The Construction Industry Development Board Act 38 of 2000 mandates the cidb to establish the Register of Projects to gather information on the nature, value and distribution of projects. It is mandatory for clients to register infrastructure projects above a prescribed value on the cidb Register of Projects. The web-based cidb i-tender system has been established to provide clients with a quick, convenient and easy mechanism to register projects at the tender stage and update the system at the point of contract award, in order to comply with the legislative requirement to register projects with the cidb.

The cidb Compliance Monitor provides indicators of the level of client's compliance with the Register of Projects. It is used by clients to verify their levels of compliance with regulations and by the cidb to improve enforcement actions. The Compliance Monitor is integral to the cidb's proactive

approach to improve compliance. It is published quarterly and focuses on all the national and provincial infrastructure departments, all public entities, all Metropolitan Councils and selected high capacity municipalities.

The cidb addresses non-compliance through one-on-one interactions, particularly with client departments with compliance levels below 60%. Compliance is also addressed quarterly at the cidb provincial Construction Procurement Officers forums as well as DPW Technical MinMec.

The table on the following page illustrates the aggregate compliance ratios. Overall, it is seen that compliance ratios with the requirements for the award of tenders varies typically between 50% to 65%, with the highest ratio of compliance being for municipal entities, national departments, provincial departments and local municipalities.

Table 3: Tender Awards Compliance Indicator (%) per 4 rolling Quarters

Entity Type	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3
District Municipalities	48%	47%	49%	49%	49%	53%
Local Municipalities	64%	63%	60%	59%	56%	51%
Metropolitan Municipalities	56%	58%	61%	51%	47%	39%
Municipal Entities	65%	66%	69%	73%	72%	63%
National Departments	73%	75%	69%	64%	61%	58%
Provincial Departments	65%	59%	60%	62%	61%	60%
State Owned Enterprises	50%	53%	52%	57%	57%	56%

INVESTIGATION OF TRANSGRESSIONS AND NON-COMPLIANCE REPORTS

The cidb anonymous fraud hotline provides stakeholders an accessible and secure channel to blow the whistle on suspected incidents of non-compliance. Alerts can also be emailed or posted. All reported cases are followed up and

investigated, and where sufficient grounds exist to charge suspected culprits, Part 5 of the CID Regulations empower the cidb to convene a formal inquiry.

Table 4 below provides a summary of cases investigated for compliance, per quarter:

Table 4: Summary of cases investigated

Total cases reported	Q1	Q2	Q3	Q4
CATEGORY				
Pertaining Contractor	77	79	80	67
Pertaining Employers (Client)	26	34	43	49
CASES REPORTED PER Province				
Gauteng	25	29	32	29
Limpopo	7	10	10	8
Mpumalanga	15	15	17	15
Western Cape	6	5	5	6
KwaZulu-Natal	43	42	42	39
Free State	1	1	3	3
North West	1	3	3	3
Eastern Cape	5	8	7	7
Northern Cape	0	0	4	6
SOURCES OF COMPLAINTS				
CRS	14	13	15	17
cidb fraud hot line	5	14	15	17
Reported directly to cidb through emails, telephone etc	84	86	93	82
CATEGORY OF COMPLAINTS				
Fraudulent track record	17	17	20	45
Misrepresentation to Employer	3	3	5	4
Misrepresentation of financial statements	3	3	7	10
Fraudulent Tax Clearance	0	0	0	1

Table 4: Summary of cases investigated (Continued)

Total cases reported	Q1	Q2	Q3	Q4
Non-compliance by Employer (termination on poor performance)	26	26	26	27
Contractual disputes	1	1	0	0
Pema cases	52	52	46	10
Blacklisting (Practice Note 31)	19	19	19	19
RECOMMENDATION OF THE PRELIMINARY INVESTIGATION				
Formal investigation	10	8	6	3
Pending finalisation	93	105	117	113

ADDRESSING COLLUSION AMONG CIDB REGISTERED CONTRACTORS

In March 2015, the cidb charged fifteen companies listed on the Register of Contractors for contravening the cidb Code of Conduct for parties involved in construction procurement. This followed the companies' admission of guilt to the Competition Commission, on charges of collusion in construction.

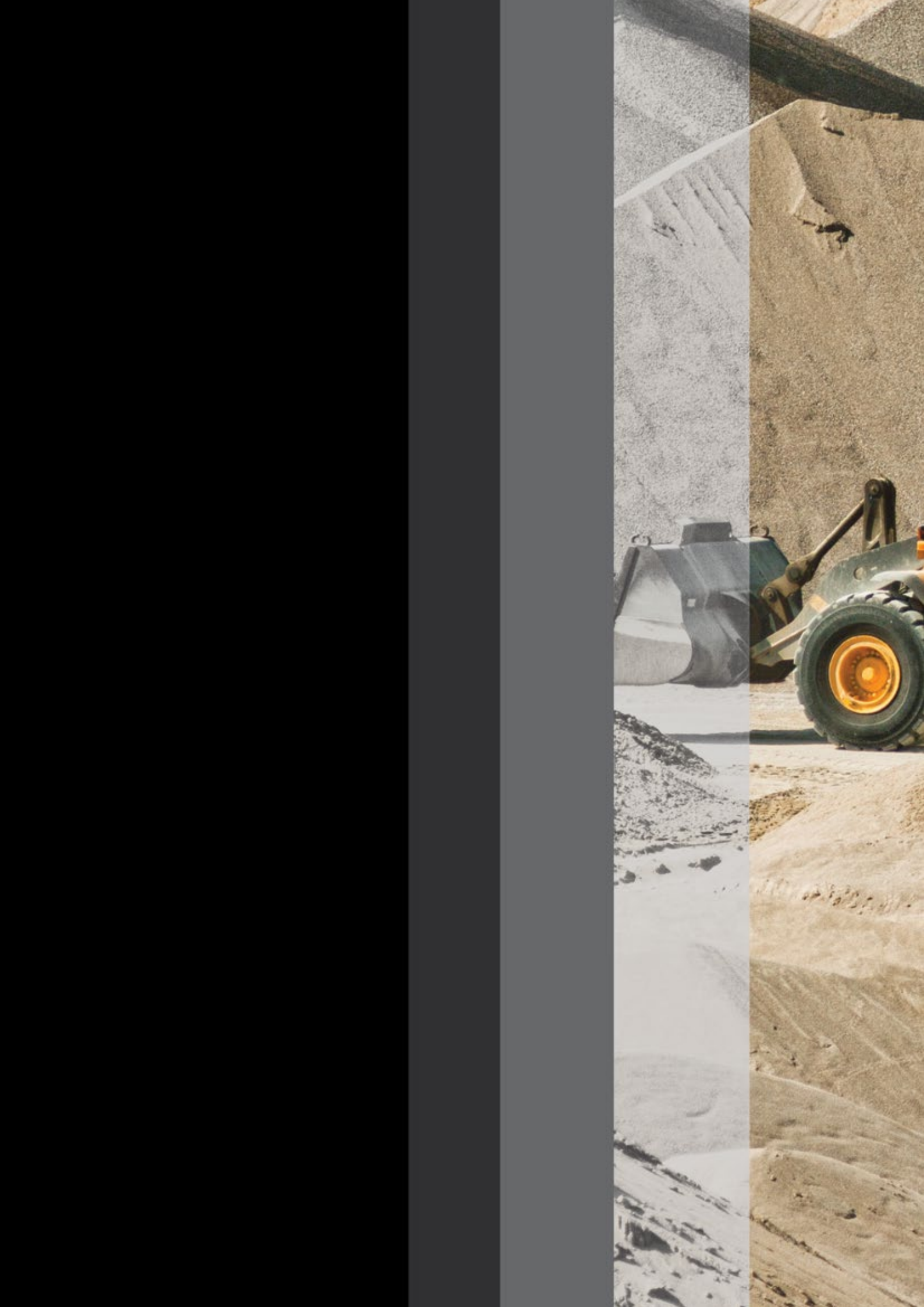
During the period under review, Government signed the Voluntary Rebuild Programme (VRP) with seven of the fifteen companies. The seven companies are Aveng (Africa), Raubex, Stefanutti Stocks Holdings, WBHO Construction, Basil Read Holdings, Group Five and Murray and Roberts. This led to the withdrawal of the cidb's disciplinary proceedings against the seven companies following their signing of a separate independent agreement with the cidb.

The agreement between the cidb and the seven companies obliges the companies to comply with their obligations as assumed under the VRP Agreement. Murray and Roberts Construction, Aveng Africa, WBHO, Raubex and Stefanutti Stocks Holdings had initially launched a High Court application challenging the cidb's formal enquiry. This challenge was withdrawn during the year under review.

The cidb has taken the view that the VRP Agreement between Government and the seven companies embodies the principles of development and growth of the emerging sector, which are in line with the cidb legislative mandate to advance national social and economic development objectives.

The nine construction firms, which are not party to the VRP Agreement, will engage with cidb on possible settlement terms.







MONITORING INDUSTRY PERFORMANCE

Monitoring the performance of the construction industry and its contribution to the country's social and economic goals is an important aspect of the cidb role and mandate. The cidb applies various instruments to perform its monitoring function.

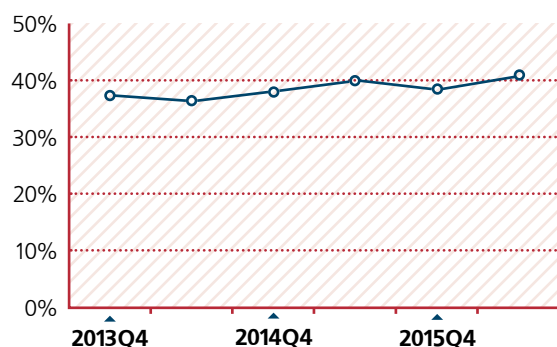
MONITORING CONSTRUCTION INDUSTRY TRANSFORMATION

In 2016/17, the cidb Construction Monitor presented an assessment of the state of transformation of the construction industry, with a focus on the contracting and the consulting engineering sectors. The Construction Monitor drew largely on information obtained from the cidb Register of Contractors, the cidb Register of Projects and the Consulting Engineers South Africa (CESA) Bi-Annual Economic and Capacity Survey.

An assessment of data obtained (as of end June 2016) shows that only around 17% of consulting engineering companies have black-ownership exceeding 50%.

The CESA data also shows that the number of black executives has increased moderately from 36% in 2013Q4 to 41% in 2016Q2 but remains low.

Graph 1: Number of black executives

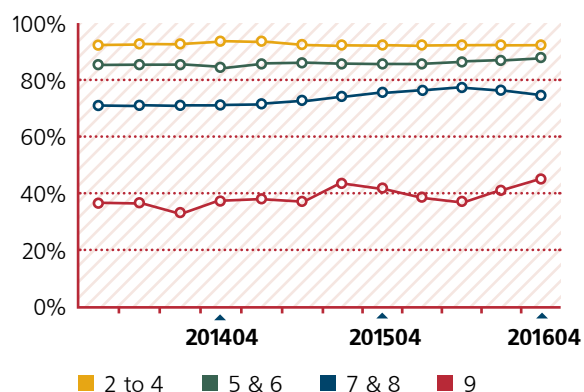


Source: CESA Bi-Annual Economic and Capacity Survey; 2012Q2 – 2016Q2

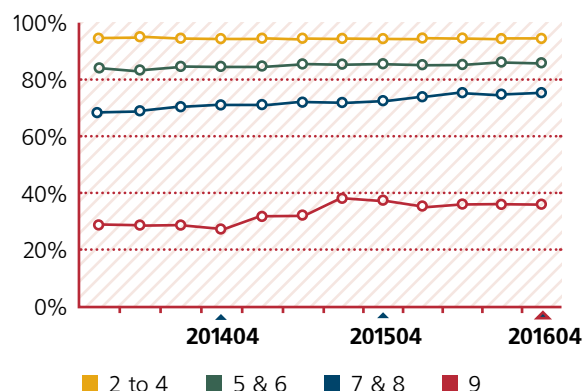
REGISTERED CONTRACTORS

General Building (GB) and Civil Engineering (CE), contractors in Grades 2 to 4 and Grades 7 to 8 are 95% and 77% black-owned respectively. Black ownership is lower in Mechanical, Electrical and Specialist Engineering contractors and significantly lower in Grade 9 at around 25% to 30%.

Graph 2: GB black ownership



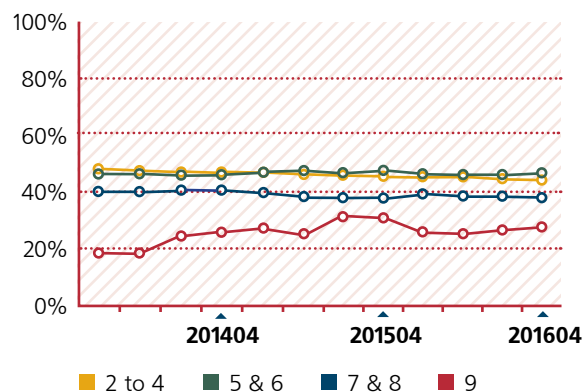
Graph 3: CE black ownership



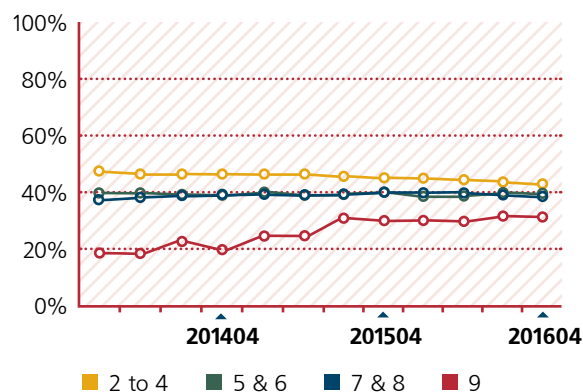
Black Ownership of Grade 9 contractors has improved in both GB and CE classes of works from 33% to 37% in CE and from 37% to 44% in GB over the period of 2014Q1 to 2016Q4.

On average 50% of small GB and CE have women ownership exceeding 30%. Only around 30% of medium to large contractors (Grades 7 to 8) are woman owned. Woman ownership of Grade 9 contractors has increased from 19% to 27% in GB and 19% to 30% in CE over the period of 2014Q1 to 2016Q4.

Graph 4: GB black ownership



Graph 5: CE black ownership



MONITORING CONTRACTOR DEVELOPMENT

In July 2017, the cidb Construction Monitor covered the state of development in the contracting sector; focusing on contractors in the public sector contractor development programmes (CDPs) in GB and CE classes of works and on contractor upgrades between the period 2007Q3 and 2017Q2.

Around 80% of all contractors in GB and CE had upgraded one or more times over ten years as illustrated below.

Table 5: Upgrades – all contractors

Contractor Upgrades; 2007Q3 to 2017Q2				
	GB		CE	
Maximum Grade	Number	%	Number	%
9	57	59%	89	59%
7 & 8	803	82%	953	82%
5 & 6	2 367	76%	2 594	76%
Total	3 227	77%	3 636	77%

Overall the number of black-owned contractors that have upgraded one or more grades over the past ten years is higher than the industry average with around 80% of black-owned CE in Grades 7 to 9 having upgraded one or more grades as illustrated below.

Table 6: Upgrades – black contractors

Contractor Upgrades; 2007Q3 to 2017Q2				
	GB		CE	
Maximum Grade	Number	%	Number	%
9	29	74%	40	77%
7 & 8	624	87%	725	87%
5 & 6	2 142	80%	2 285	80%
Total	2 795	82%	3 050	82%

Table 7: One or more upgrades

Contractor Upgrades; 2007Q3 to 2017Q2					
GB	1 or more	2 or more	3 or more	4 or more	5 or more
9	72%	54%	23%	5%	3%
7 & 8	75%	53%	32%	14%	6%
5 & 6	80%	69%	55%	43%	14%
Total	79%	65%	50%	36%	12%

CE	1 or more	2 or more	3 or more	4 or more	5 or more
9	73%	50%	29%	6%	4%
7 & 8	74%	54%	32%	13%	6%
5 & 6	80%	68%	55%	44%	14%
Total	79%	65%	50%	37%	12%

In July 2017, the cidb also tracked upgrades achieved within contractor development programmes drawing on information available from twenty seven CDPs that are currently being monitored in terms of the National Contractor Development Programme (NCDP).

Typically, CDPs provide direct contracts as well as structured developmental support to contractors enrolled and are typically implemented by a government institution or are outsourced to a developmental institution. Information was drawn from the following CDPs that are currently being monitored.

Table 8: Contractor Development Programme members

Province	CDP	Number of Contractors
Eastern Cape	• Incubator	45
	• COEGA (IDZ)	84
	• Integrated Contractor Development Programme	221
	• Masakhesonke Contractor Development Programme	40
	• Mthatha Contractor Development Programme	27
	• NMMB Contractor Development Programme	25
Free State	• Department of Police Roads and Transport	81
Gauteng	• CIP NW	12
	• IDT CIP NW	2
	• IDT Vuk'uphile NW	8
	• LP IDT Contractor Development	40
	• Vuk'uphile Learnership NW	7
	• Sihamba Sonke	1
	• Joburg Water (Vuk'uphile) CDP	11
	• Vuk'uphile	23
KwaZulu-Natal	• KZN Department of Public Works	107
	• Department of Transport (Vukuzakhe)	192
Limpopo	• Limpopo Contractor Development - Stefanutti Stocks	15
	• Vuk'uphile Contractor Development	37
	• Vuk'uphile Contractor Development Programme	53
	• Incubator Programme	2
Northern Cape	• Department of Roads and Public Works CDP GB and CE	36
North West	• Vuk'uphile Tlokwe City Council	4
	• Vuk'uphile Contractor Development Programme	64
Western Cape	• Advance M & T Shortlist 2016	20
	• DT & PW Roads Branch CDP	44
	• Siyenyuka	13
Total		1178

An assessment of the number of contractors within CDPs that had upgraded one or more grades over the previous three year period is given below – with reference to the current contractor grade and neglecting any contractor upgrades before the date of entry of the contractor into the CDP. The percentage is clustered within the dates of entry into a CDP within a four quarter period.

From the table below, it is seen that around 33% of all General Building (GB) contractors that have entered into a CDP over the period 2014Q3 to 2015Q2 have upgraded one or more grades since date of entry. This rate is lower than that of the Civil Engineering (CE) contractors which is around 56%. By comparison with the upgrades presented in Table 9 it can be seen that contractors within CDPs are in fact upgrading at a higher rate than those which do not receive such support. This illustrates the potential of focused development activities within CDPs.

Table 9: CDP Contractor Upgrades

CDP Contractor Upgrades (%): 2014Q3 to 2017Q2			
Current Grade	up to 2015Q2	2015Q3 to 2016Q2	2016Q3 to 2017Q2
GB			
7 & 8	80%	67%	-
5 & 6	65%	33%	17%
2 to 4	40%	32%	22%
1	0%	0%	0%
Total	33%	17%	14%
CE			
7 & 8	83%	18%	-
5 & 6	73%	38%	50%
2 to 4	69%	32%	19%
1	0%	0%	0%
Total	56%	21%	17%

MONITORING COST DRIVERS OF PUBLIC SECTOR CONSTRUCTION

Infrastructure provides the backbone for economic growth and the delivery of public services, which is why procurement of construction works by the public sector, alone amounts to around R220 billion per year. The construction sector provides for around 1.4 million jobs.

In order to derive the maximum benefit from infrastructure spend, it is important to contain costs and to reduce any pressure on the available financial resources to fund government's infrastructure programme. Cost increases also place pressure on the sustainability of contractors that provide the necessary infrastructure, but who may not be well equipped to deal with such escalations.

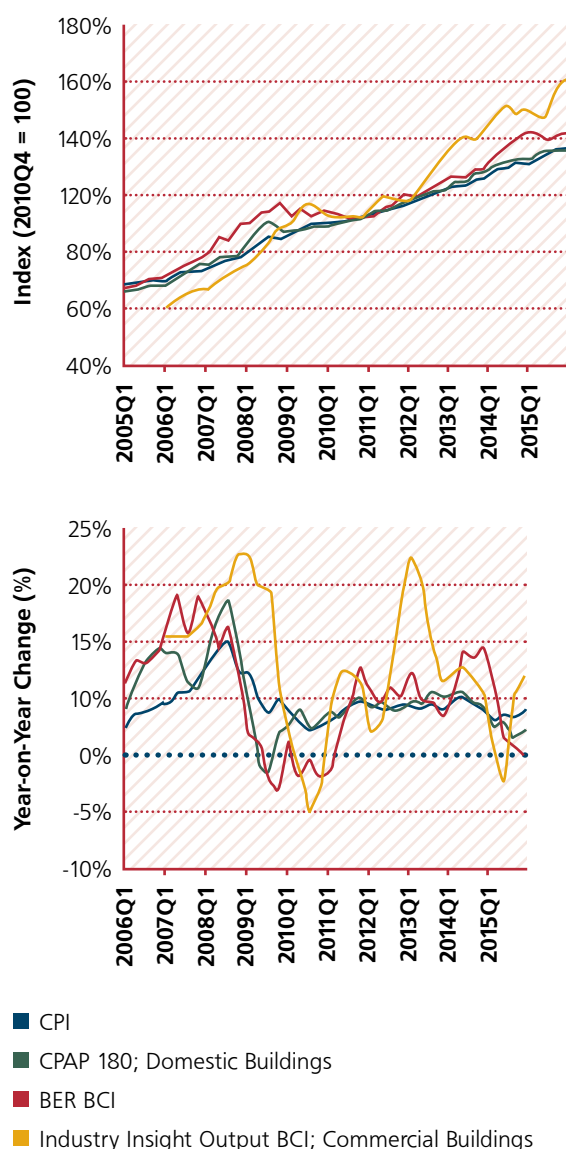
Against this background, the Department of Public Works and the cidb undertook an investigation into trends in infrastructure costs to quantify the main cost drivers in construction.

From an assessment of historic construction related data, notwithstanding volatility amongst individual materials components, the study has shown that the Contract Price Adjustment Provisions (CPAP) for lump-sum domestic buildings and for commercial and industrial buildings have escalated at rates very close to those of CPI or inflation. It is reasonable to assume therefore that input material costs will overall continue to increase at the rate of inflation into the near future.

Another indicator of project costs is the BER/MFA Building Cost Index (BCI), which includes profit margins of building contractors and reflects market conditions. An analysis of historic data reflects that the BCI has increased at around 1% per year on average above CPI over the period 2010 to 2015. Somewhat higher escalations in project costs are however predicted using the Industry Insight Output Building Cost

Index (Output BCI). The Output BCI is a measure of the cost to the client, including the cost to contractor plus allowances for profit, risk and other market influences, and reflects cost escalations of around 4.5% per year on average higher than that of CPI over the period 2010 to 2015.

Graph 6: Input and Output Building Costs and Inflation



The BER/MFA BCI and the Industry Insight Output BCI clearly suggest building costs escalating at between 1% and 4.5% per year on average in the near future. Noting that CPAP and other building input costs are escalating at around CPI, this suggests that this increase in building costs is likely to be due to increasing allowances for profit by contractors, increases in finance costs, and risk factors, as well as factors influenced by the depreciating Rand.

The study has also shown that construction projects that are more plant and material intensive are more sensitive to cost increases, while projects, which are more labour intensive, are less sensitive to cost increases.

The case studies undertaken also suggest that construction projects that utilise specialist subcontractors of greater than around 30% of contract value are less sensitive to cost increases, while utilisation of specialist subcontractors of less than around 30% of contract value will result in higher construction costs.

The study has highlighted that, overall, introduction of the PPPFA to drive transformation has resulted on an overall premium in the cost of construction of around 2%, although actual premiums of around 11% have been observed on individual projects. The study noted that the recent change of the PPPFA to adopt the 80/20 preference point system on projects of up to R50 million will result in further cost increases.

It further noted anecdotal evidence suggesting that the application of developmental and targeted procurement in exceptional cases have increased the cost of construction by up to 15%.

ACCESS TO FINANCE

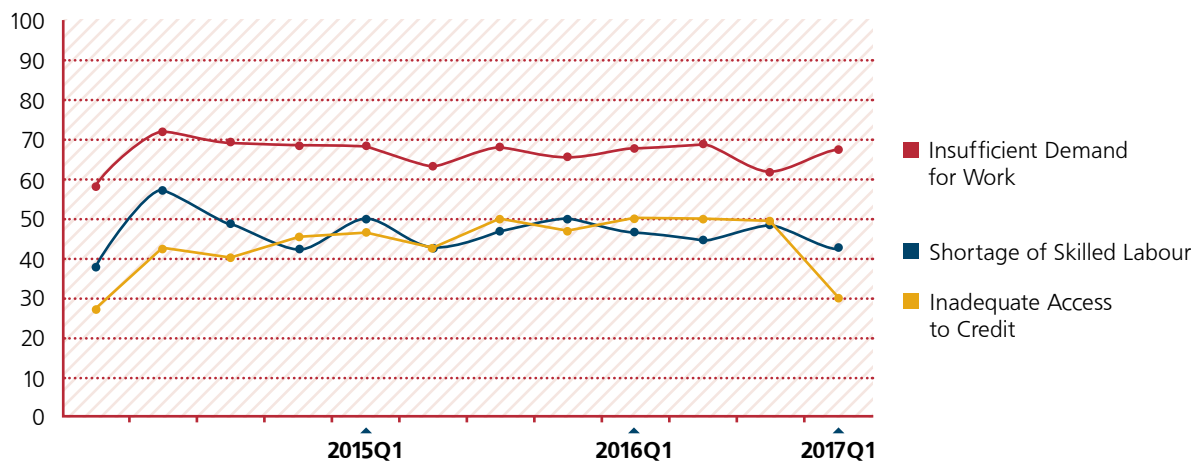
Inadequate access to credit is a constraint to business growth for Grades 3 and 4. These contractors often start the business using their own funds. Later more capital is needed for the business to grow, which requires access to bank loans or from developmental financiers.

Commercial banks see most of these contractors as high risk because of their risk profile or lack of collateral and they are unable to access credit. When these contractors do access the funds, they have to pay a high interest rate

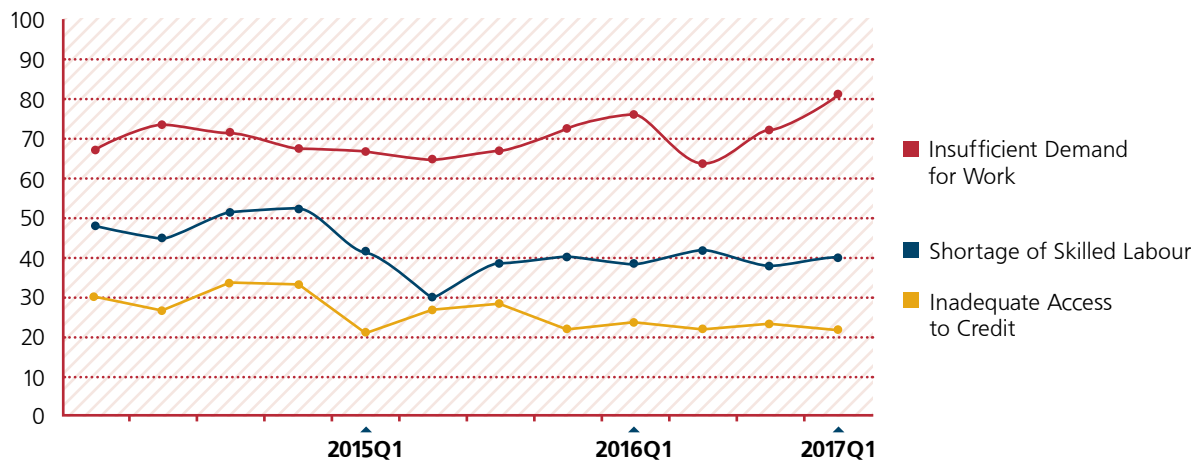
for the capital because of their high-risk profile. Payment delays on the part of clients also affect the contractor's cash flow, rendering the contractor unable to service the loan and further affecting their profile and the credit record negatively.

Access to credit appears less significant as a business constraint for Grade 7 and 8 contractors, who have a lower risk profile than the smaller Grade 3 and 4 contractors.

Graph 7: Constraints to Business Growth; Civil Engineering, Grades 3 and 4



Graph 8: Constraints to Business Growth; Civil Engineering, Grades 7 and 8







PROMOTING
INDUSTRY
COMPETITIVENESS

EXPORT OF SA CONTRACTING SERVICES TO AFRICA

The cidb facilitated the inclusion of the contracting sector in the Built Environment Professions Export Council (BEPEC) during the period under review. This will see contractors registered with the cidb benefitting from the initiatives of BEPEC and the Department of Trade and Industry (dti) to promote the export of SA contracting services to Africa.

The incorporation of contractors into the BEPEC initiative was officially launched in February 2017. It is anticipated that in support of this initiative to find opportunities for local expertise to shine in Africa the cidb will:

- Establish an information centre on cross-border opportunities, including providing access to information and high level reports;
- Provide export business advisory to emerging contractors, where possible in partnership with established contractors; and
- Participate in Export Council business delegations and trade shows, to build and maintain capacity in export promotion

Large South African contractors have already demonstrated capability to compete with the best in the world and the challenge is to broaden the base of contractors that can compete in Africa and internationally, including the emerging sector.

PROJECT ASSESSMENT SCHEME

In March 2017, the cidb published the draft Standard for Contract Participation Goals for Targeting Enterprises and Labour through Construction Works Contracts for public comment in April 2017.

The aim of this best practice is to promote uniformity and standardisation in contract participation goals (CPGs) and to provide for conflict resolution mechanisms in respect of contract participation goals relating to a contract for the provision of construction works. Private and public sector employees are encouraged to adopt this Standard. Furthermore, it is encouraged that this Standard is adopted in the homebuilding sector.



STAKEHOLDER
ENGAGEMENTS

PROVINCIAL STAKEHOLDER LIAISON MEETINGS

Provincial Stakeholder Liaison meetings (PSLMs) are a platform that enables the cidb to reach out to stakeholders beyond just Gauteng based entities and associations. They are held annually, providing opportunity for provincial stakeholders to influence national debates on matters that affect construction industry development and to give input as well as feedback on cidb initiatives.

During the 2016/17 Financial Year, the cidb engaged contractors through PSLMs, on its planned improvements to organisational capacity and capability, to enhance its efficiency, effectiveness and responsiveness to industry needs. Plans include a review of the organisational macro and micro structure based on a new strategy aimed at aligning the cidb to its founding legislation. They also include a review of the criteria for registration of contractors.

Contractors have welcomed cidb plans going forward and have appealed to the organisation to:

- Improve the turnaround time for processing of registration applications;
- Ramp up communication to contractors on the processing of applications for registration;
- Review downgrading and align requirements for contractor registration with economic conditions;
- Intervene to ensure that infrastructure clients improve procurement practices to create work opportunities for the emerging sector;
- Help eradicate exploitation of subcontractors by main contractors;
- Ensure that clients don't use quality in tenders to exclude emerging contractors from meaningful participation in the economy; and
- Help fight corruption in the industry.

At least 2500 contractors attended the 2016/17 Provincial Stakeholder Liaison meetings.

PROMOTING BRICKLAYING AS A TRADE OF CHOICE AMONG THE YOUTH

During the year under review, the cidb worked closely with TVET Colleges and the private sector to promote bricklaying among the youth by organising a series of college bricklaying competitions. This was in preparation for South Africa's participation in WorldSkills International (WSI) competition in 2017.

WSI is a global organisation representing seventy two member countries to promote vocational, technological and service oriented education and training. It brings industries and educators together to give youth the chance to compete, experience, and learn how to become the best in their skill of choice as well as showcase excellence in vocational education and training.

The cidb is currently focusing on bricklaying during this initial phase of participation in WorldSkills. The aim is to add other construction skills in the future such as tiling, concreting and shuttering.

This year's college competitions began with provincial semi-finals and ultimately the national competition that was held at the Durban International Convention Centre (ICC), on the 14th to 16th February 2017. The cidb initiative to participate in WorldSkills is ultimately aimed at promoting skills development, particularly trades, within the construction industry.

2017 DOCTORAL WORKSHOP

The fourth cidb Doctoral Workshop was held at the Central University of Technology, Free State on the 27th February 2017. The workshop provides doctoral candidates in the built environment a platform to present their work to peers, supervisors and academics from different institutions.

Participants of the workshop are also able to present their completed research at the cidb Postgraduate Conferences, thus leading to improved numbers and quality of presentations at the conferences.

The cidb Act 38 of 2000 mandates the Board to promote appropriate research agenda and to develop, promote and update a construction industry research agenda that defines national development priorities.



SUPPORT
SERVICES

INFORMATION TECHNOLOGY

Information Technology (IT) is the cornerstone of cidb Business and remains a top priority for the cidb. During the year under review, IT embarked on a process to ensure that the organisation achieves a fourth level of maturity of ICT governance framework by 2020. Management has approved a project to design an integrated system that ensures strategic alignment of IT systems to business priorities in order to achieve effectiveness and efficiency.

HUMAN RESOURCES

Re-engineering the cidb organisational architecture

An extensive analysis of business elements that inform the cidb structure was undertaken, with the following critical elements under review:

- Mandate;
- Organisational strategy;
- Organisational operating model;
- Service delivery model;
- Macro structure;
- Organisational value chain;
- Capability model;
- cidb products and services; and
- Business processes re-engineering.

The outcome of the analysis was categorical in defining critical shifts the organisation needs to take to improve capacity and capability to deliver service and value to clients. Among others, the cidb must review its competency framework, training strategy, processes, technology and people.

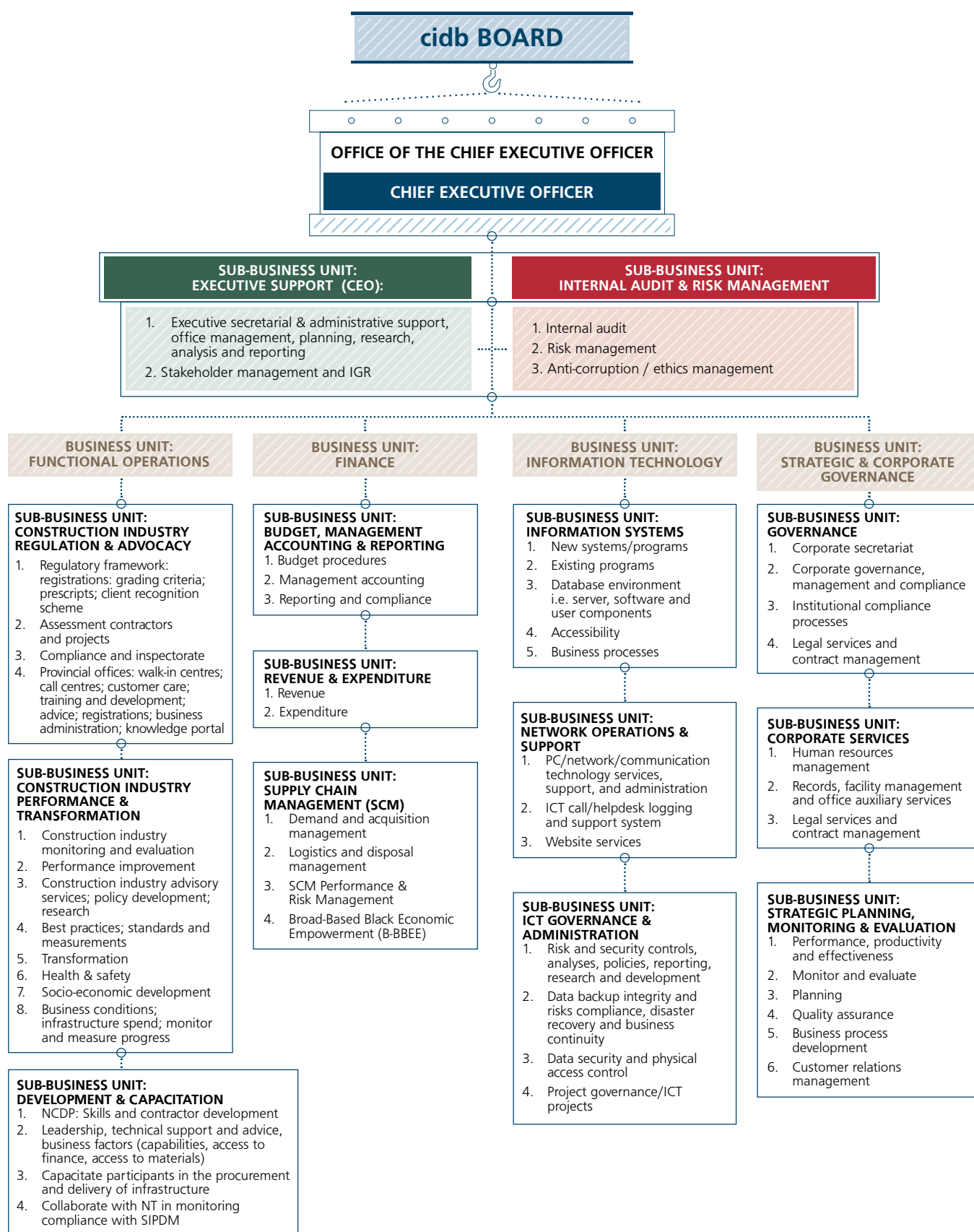
The organisational architecture analysis comes on the back of the cidb culture study in 2014, which recommended:

- Alignment of the cidb leadership team;
- Development of a competent leadership and management corps;
- Alignment of structure to strategy;
- Culture engineering;
- Improvement of a communication and service culture; and
- Alignment of mandate and strategies within the different programmes and operational areas.

In response to the two studies, the cidb embarked on a strategic review process to redefine its vision, mission, values and strategy, in line with the recommendations of the organisational architecture study and the Culture Study. A new organisational macro structure, informed by the revised strategy, was approved as follows on the adjacent page.

The macro structure will now further be cascaded down to a microstructure, which is currently under development. Staff have contributed inputs that have enriched the different elements of re-engineering the cidb's organisational architecture, dubbing the process 'Bokamoso' (our future). With Board's oversight, the transfer and migration of employees into the new organisation structure will be handled in a structured manner.

Figure 1: New and approved macro structure aligned to revised Strategic Plan 2015 – 2019/20



NATIONAL EDUCATION, HEALTH AND ALLIED WORKERS' UNION MEMBERSHIP

Table 10: NEHAWU Membership Statistics

Number of Unionised Employees	106
Union Representation Percentage	59.8%

Financial Year 2016/17 marked the end of the four year salary and substantive agreement between the cidb and the National Education, Health and Allied Workers Union (NEHAWU).

RECRUITMENT AND TERMINATIONS

The cidb placed on hold, recruitment of new staff in vacant positions due to the impending organisational restructuring. However, during the year, the posts of three Assessors, a Data Capturer: Mpumalanga and a Help Desk Support: Gauteng were filled in order to maintain critical levels of service in key areas.

Table 11: Recruitment

Permanent Contracts	9
Fixed Term Contracts	9

Table 12: Terminations

Employee Type	Total number
Permanent Contracts	10
Fixed Term Contracts	2

Table 13: Human Resources Management

Occupational Levels	Male				Female				Foreign Nationals		Total	
	A	C	I	W	A	C	I	W	Male	Female		
Top management	0	0	1	1	0	0	0	0	0	0	2	1.12%
Senior management	6	1	0	0	3	0	0	0	0	0	10	5.6%
Professionally qualified and experienced specialists and mid-management	12	0	2	1	5	0	0	1	0	0	21	12%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	15	0	1	0	22	1	0	1	0	0	40	22.59%
Semi-skilled and discretionary decision making	24	2	0	1	48	4	1	3	0	2	85	48%
Unskilled and defined decision making	0	0	0	0	1	0	0	0	0	0	1	0.56%
TOTAL PERMANENT	57	3	4	3	79	5	1	5	0	2	159	89.8%
FIXED TERM CONTRACT	6	0	0	0	9	1	1	0	0	0	17	9.6%
Employees with disabilities	0	0	0	0	1	0	0	0	0	0	1	0.56%
Temporary employees	0	0	0	0	0	0	0	0	0	0	0	0%
GRAND TOTAL	63	3	4	3	89	6	2	5	0	2	177	100%

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

Table 14: Human Resources Management

EMPLOYEE RELATIONS Misconduct and Disciplinary Actions	
Written Warnings	2
Final Written Warning	0
Suspension	1
Dismissals	4
CCMA resolved cases	3
CCMA case in progress	1
Labour court in progress	1





cidb
**ANNUAL FINANCIAL
STATEMENTS**

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General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
REGISTERED OFFICE	Block N, R & Z SABS Campus No 2 Dr. Lategan Road Groenkloof, Pretoria 0027
POSTAL ADDRESS	P.O. Box 2107 Brooklyn Square Pretoria 0075
BANKERS	Standard Bank of South Africa Limited Investec Bank Limited
AUDITORS	Auditor-General South Africa
SECRETARY	First Corporate Secretaries Proprietary Limited

Statement of Responsibility

For the year ended 31 March 2017

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) (PFMA), 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 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 judgements 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.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout 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 behavior 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 2017 and, in the light of this review and the current financial position, the Accounting Authority is satisfied that cidb has access to adequate resources to continue in operational existence for the foreseeable future.

The cidb is largely dependent on the Department of Public Works (DPW) for continued operations in executing its mandate. The Annual Financial Statements are prepared on the basis that cidb is a going concern and that the Department of Public Works (DPW) 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 2017, set out on page 54 to 86, 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 No. 1 of 1999, as amended and are signed on its behalf by:



Mfuzeko Gwazube
Acting Chief Executive Officer



Lufuno Nevhutalu
CIDB Chairperson

Corporate Governance Report

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

1. ACCOUNTING AUTHORITY

The Minister is responsible to appoint the Board at an interval of three years as per the CIB Act, 2000. The Minister has appointed 13 Board members during 2016/17 and two resigned in the period preceding this report.

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

The role of the Board is as follows:

- Exercise 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;
- Determine the cidb's values and the strategy designed to achieve the cidb's purpose;
- Retain full and effective control of the Board and monitoring the cidb in implementing Board plans and strategies;
- Monitor and evaluate the implementation of strategies, policies, procedures, processes, management performance criteria and business plans;
- Formulate, monitor and review 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;
- Ensure that the cidb complies with all relevant laws, regulations, government policies and codes of best business practice and communicates with its shareholder and relevant stakeholders openly, transparently and promptly with substance prevailing over form;
- Identify the key risk areas and key performance indicators of the cidb, based on both financial and non-financial aspects such as the socio-political and politico-economic expectations of the shareholder;

- Ensure that technology and systems used in 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;
- Ensure that the shareholder's performance objectives are achieved and that same can be measured in terms of performance of the cidb;
- Develop 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;
- Ensure that Board members are granted unrestricted access to accurate, relevant and timely information on the Board and acting 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;
- Manage potential conflicts of interest between the CEO, Board members and the shareholder and ensure that any such conflicts of interest, or of independence, are regularly and expeditiously dealt with and resolved; and
- Maintain 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 on a regular basis.

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 good governance by embracing and adhering to the legislative requirement, PFMA and adopting the principles of good governance as contained in the King III report.

3. PORTFOLIO COMMITTEE

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

Table 15: Meeting with Portfolio Committee

Date of meeting	Purpose
2 April 2017 12 April 2017	Revised strategic plan and annual performance plan 2017/18

4. EXECUTIVE AUTHORITY

The Minister of Public Works (DPW) as responsible for the department that is the Executive Authority of cidb plays a vital role in ensuring that the cidb operates within the cidb's legislative mandates. The Minister has been given the power to appoint and dismiss the Board of cidb. On an on-going

basis, the Minister monitors and evaluates the performance of cidb through reports and interactions. During the year, the cidb has submitted the following reports in compliance with the PFMA and Framework for Managing Programme Performance Information.

Table 16: cidb Performance Reports

Date of submission	Type of reports
30 April 2016	Fourth Quarter Performance report 2016/16
30 July 2016	First Quarter Performance Report - 2016/17
31 August 2016	First Draft Strategic and Annual Performance Plan
31 October 2016	2 nd Quarter Performance Report - 2015/16
30 November 2016	2 nd Draft Annual Performance Plan
30 January 2017	3 rd Quarter Performance report - 2015/16
	Revised Strategic Plan and Final Annual Performance Plan

The following commentaries were issued on the governance matters:

- Pending lease agreement between cidb and SABS (landlord) which resulted in the cidb seeking permission from the Executive Authority to procure its own building.
- Governance parameters between Board and the Executive as a result of then Acting CEO resigning. Consequently, the then Minister seconded a senior staff member of the Department of Public Works to act as the CEO of the cidb.

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

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

5. RISK MANAGEMENT

The oversight responsibility over the implementation of cidb's risk management lies with the Accounting Authority that has delegated its responsibility to the Audit, Risk and Governance. Therefore, the Audit, Risk and Governance Committee reports formally to the Accounting Authority in terms of cidb's risk management process.

The cidb EXCO is responsible for applying the risk management framework and techniques in their 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 documented in the corporate strategic register.

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 cidb's success.

6. AUDIT, RISK AND GOVERNANCE COMMITTEE

The role of the Committee is to provide an 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; 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 the 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 system, process and policies are in place to provide the Board with assurance that all laws are being complied with. On-going reviews are being performed by our 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 holds a zero tolerance towards fraud and corruption and all incidents and reasonable suspicions thereof will be verified and investigated where appropriate.

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

- Disciplinary action
- Institution of criminal proceedings
- Recovery of losses
- Civil litigation.

Anti-Fraud and Corruption policy is a document that has been developed to guide on fraud and corruption and furthermore, the cidb's has implemented the fraud and ethics awareness on an annual basis. Anti-Fraud and corruption policy is considered effective as no incidents of fraud were detected in the year under review.

10. WHISTLE-BLOWING

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 dispose of

their reporting duties, without fearing victimisation and retribution of any kind. This independently managed facility provides for 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 / Whistle Blowing hotline is available on the cidb website.

11. CODE OF 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 guide.

It is the responsibility of each employee to ensure that he/she:

- Acts within his/her powers, in the interests and for the benefit of the cidb.
- Carries out his/her duties with the skill and care to be expected from persons of their knowledge and experience.
- Ensures that his/her conduct is always based on honesty, fairness, transparency and integrity.

12. BOARD COMMITTEES

The Board has established the committees that it has required within the financial year and delegated its power to those committees to assist it with the fulfilment of its responsibilities in accordance with the provisions of the cidb's Board Charter. However, the Board restructured and amended its committees on the 01st of September 2016, to structure and align committees to the revised cidb strategy and to ensure committees are aligned to developing a high performing cidb.

In addition to the Board Committees, the Board established two task teams/steering committees to deal with review of the CIDB Act and Bokamoso Organisational Redesign. These were strategic interventions by the Board in propelling the cidb to be a high performing institution.

The composition of both revised and new committees are detailed below.

The Revised Committees effective until 01 September 2016 were as follows:

Audit and Risk Committee

Members:

- Mr. L.L. Makibinyane (Chair)
- Ms. N.S. Pandor (Resigned – 09 January 2017)
- Mr. S.A. Mosai
- Mr. H.L. Patel

Remuneration Committee

Members:

- Mr. S.A. Mosai (Chair)
- Ms. V.V. Sidzumo (Resigned – 13 April 2017)
- Dr N.C. Skeepers
- Mr. H.L. Patel
- Mr. C. Jiyane

Social and Ethics Committee

Members:

- Ms. N.S. Pandor (Chair) - (Resigned – 09 January 2017)
- Mr. S.M. Makhura
- Mr. N. Maas
- Mr. G. Maduray
- Ms. M. Fatyela-Lindie

Core Programmes Committee

Members:

- Mr. C. Jiyane (Chair)
- Mr. S.M. Makhura
- Ms. M. Fatyela-Lindie
- Mr. G. Maduray
- Mr. N. Maas
- Dr N.C. Skeepers
- Mr. H. Patel

The new committees effected from 01 September 2016 are as follows:

Audit, Risk and Governance Committee

Members:

- Mr. L.L. Makibinyane (Chair)
- Ms. N.S. Pandor (Resigned – 09 January 2017)
- Mr. S.A. Mosai
- Mr. H. Patel (co-opted to replace Ms. N.S. Pandor)

Human Resources Committee

Members:

- Mr. S.A. Mosai (Chair)
- Ms. V.V. Sidzumo (Resigned – 13 April 2017)
- Ms. L.T. Myataza
- Mr. G. Maduray (co-opted to replace Ms. V.V. Sidzumo)

Registration and Regulatory Compliance Committee

Members:

- Mr. S.M. Makhura (Chair)
- Ms. N.S. Pandor (Resigned – 09 January 2017)
- Dr N.C. Skeepers
- Ms. M. Fatyela-Lindie
- Mr. G. Maduray
- Ms. L.T. Myataza

Stakeholders Committee

Members:

- Dr N.C. Skeepers (Chair)
- Mr. C. Jiyane
- Mr. N. Maas
- Mr. H. Patel

Audit, Risk and Governance Report

We are pleased to present our report for the financial year ended 31 March 2017.

AUDIT, RISK AND GOVERNANCE COMMITTEE MEMBERS AND ATTENDANCE

The Audit, Risk and Governance Committee (ARGC) was operational during the Financial Year. The ARGC members listed below met four times during the Financial Year, as specified in the Charter.

Table 17: ARGC Members

Name of Member	Number of meetings
Mr. Lefadi Makibinyane (Chairperson)	4
Mr. Sipho Mosai (Board member)	2
Mr. Hareesh Patel (Board member)	2
Ms. Nazreen Pandor (Board member)	3

During the year, the following changes occurred on the 01st September 2016; the Committee was renamed the Audit, Risk and Governance Committee and comprised of Mr. Lefadi Makibinyane (Chairperson), Mr. Sipho Mosai (member) and Ms. Nazreen Pandor (member). Subsequently Ms. Nazreen Pandor resigned on the 09th January 2017 as both the member of the Board and the Committee. Mr. Hareesh Patel was then co-opted to join the Committee in her place.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit, Risk and Governance Committee confirms that it has complied with its responsibilities as contained in the Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) in terms of 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 accurately reports on performance information. The ARGC confirmed that they were satisfied with reporting of the performance information throughout the year, through verification of an independent assessment by the Internal Auditors.

EFFECTIVENESS OF INTERNAL CONTROLS

The internal controls of cidb were effectively managed throughout the financial year. The Office of the Auditor-General 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 PFMA and provided relevant inputs where required.


INTERNAL AUDIT

The cidb has adopted an outsourced model for the internal audit function. The ARGC has reviewed and approved the 3-Year coverage plan and is satisfied with the audit work that has been completed to date.

Evaluation of Financial Statements

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

We concur and accept the Auditor-General 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. Lefadi Makibinyane

Signed on behalf of the Audit,
Risk and Governance Committee

Chairperson: Audit, Risk and Governance Committee
31st July 2017

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 2017.

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 Construction Industry Development Board (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 (DPW).

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 2016/17, the cidb received a grant of R52 059 000.00 (2015/16: R65 626 000.00). R85 510 003.00 (2015/16: R75 418 080.00) was received in the form of registers' revenue, as well as other income of R13 561 942.00 (2015/16: R9 397 357.00). Thus, the total income for the cidb was R151 130 945.00 (2015/16: R150 441 437.00). The net surplus for the financial year was R7 824 259.00 (2015/16: R16 220 915.00). After taking into account the opening accumulated surplus of R105 930 448.00, this has resulted in the increase of accumulated surplus to R113 574 705.00 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 Committee

PERFORMANCE INFORMATION

The cidb has developed an Annual Performance Plan (APP). This APP provides clear indication of goals and objectives for the 2016/17 period. Such a plan was developed for the 2016/17 Financial Year. Progress reports were tabled at Board and Committee meetings of the cidb on a quarterly basis.

Furthermore, the cidb reported to DPW on a quarterly basis regarding progress towards the achievement of the stated outputs and objectives, in line with the funding arrangement between the DPW 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 of three members for the year ended 31 March 2017 and met four times during the year, in accordance with its approved terms of reference.

EVENTS AFTER REPORTING DATE

There were no significant events after the reporting date.

INTERNAL AUDITORS:

The cidb has outsourced its internal audit function to Morar Incorporated Chartered Accountants (SA), which reports to the Audit, Risk and Governance Committee.

APPROVAL

The Annual Financial Statements for the year ended 31 March 2017, set out on pages 54 to 86 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:

A stylized, handwritten signature in black ink, consisting of a large, sweeping loop followed by a series of horizontal strokes.

Mfezeko Gwazube
Acting Chief Executive Officer

A stylized, handwritten signature in black ink, featuring a series of sharp, angular strokes and a long, sweeping tail.

Lufuno Nevhutalu
Chairperson: cidb Board

Report of the Auditor-General

Report of the Auditor-General to Parliament on the Construction Industry Development Board

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 54 to 86, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows 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, financial position of the Construction Industry Development Board as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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 auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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 CIDB'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 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 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 the 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 the 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 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 entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 1: Construction Register Services (CRS)	88 – 89
Programme 3: Procurement and Delivery Management (PDM)	94 – 96
Programme 4: Provincial Offices and Contractor Development (PCD)	97 – 98

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 1: Construction Register Services (CRS)

Indicator Number:	1.1
Indicator Description:	Percentage contractor registration within the prescribed 21 working days turnaround time for all compliant applications for Grade 2-9 contained in the quarterly production report.

15. The evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported, as the evidence provided indicated that it was 42% compliant with the prescribed turnaround time for Grade 2 – 9 contractor application activations, and not 82% compliant with the prescribed turnaround time for Grade 2 – 9 contractor application activations. I was also unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Programme 4: Provincial Offices and Contractor Development (PCD)

Indicator Number:	4.1
Indicator Description:	Percent of Grade 1 compliant registrations activated within a 2 working day turnaround time from time of receipt, contained in the quarterly production report.

16. The evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported, as the evidence provided indicated that it was 52% of Grade 1 compliant registrations activated within 48 working hours from time of receipt, and not 92% of Grade 1 compliant registrations activated within 48 working hours from time of receipt. I was also unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Indicator Number:	4.2.1
Indicator Description:	Municipal procurement and contractor development capacitation e.g. IDMS, i-tender, Best Practices, NCDP, CDP guidelines, etc.

17. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target "Municipal procurement and contractor development capacitation e.g. IDMS, i-tender, best practices, NCDP, CDP guidelines, etc. – 1 session per province by March 2017". This was due to the lack of evidence provided in the processes implemented to identify the relevant stakeholders to ensure that the target is achieved as intended. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of "1 session held per province by the 31 March 2017 covering Municipal procurement and contractor development capacitation e.g. IDMS, i-tender, Best Practices, NCDP, CDP guidelines, etc."

Indicator Number:	4.2.2
Indicator Description:	% of Public Sector CDPs are registered on the cidb electronic monitoring and evaluation system at the requisite data quality and completeness.

18. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target "90% (19 out of 21) of Public Sector CDPs were registered on cidb Monitoring and Evaluation System, and compliance is at a level of 90% data Quality". This was due to the lack of evidence provided in the processes implemented to identify the relevant stakeholders and data quality standard criteria to ensure that the target is achieved as intended. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of "90% (19 out of 21) of Public Sector CDPs were registered on cidb Monitoring and Evaluation System, and compliance is at a level of 90% data Quality".

Indicator Number:	4.3
Indicator Description:	% of satisfaction from Customer bi-annual survey averaged across all provinces from a minimum sample of 10% of office walk-ins and 50% PCDF stakeholders to be surveyed.

19. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target “96% satisfactions (1511 of 1572) and less than 5% complaints (3.8) were recorded and further at least 70% of PCDF (Provincial Construction Development Forum) attendees survey”. This was due to the lack of evidence provided in the processes implemented to identify the relevant stakeholders and data quality standard criteria to ensure that the target is achieved as intended. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of “96% satisfactions (1511 of 1572) and less than 5% complaints (3.8) were recorded and further at least 70% of PCDF (Provincial Construction Development Forum) attendees survey”.

Indicator Number:	4.4
Indicator Description:	Number of Provincial Construction Development Fora (PCDFs) held per province inviting provincial clients departments, associations and professional bodies.

20. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target “Two (2) Provincial Construction Development Fora (PCDFs) per province inviting provincial clients departments, associations and professional bodies held by 31 March 2017, incorporating all 4 core CIDB programmes capacitation issues”. This was due to the lack of evidence provided in the processes implemented to identify the relevant stakeholders to ensure that the target is achieved as intended. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of “Two (2) Provincial Construction Development Fora (PCDFs) per province inviting provincial clients departments, associations and professional bodies held by 31 March”.
21. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
Programme 3: Procurement and Delivery Management (PDM)

Other matters

22. I draw attention to the matter below.

Achievement of planned targets

23. Refer to the annual performance report on pages 88 to 102; for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

24. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

25. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Irregular expenditure

26. Effective steps were not taken to prevent irregular expenditure amounting to R1 477 599 as disclosed in note 29 to the Annual Financial Statements, as required by section 51(1)(b)(ii) of the PFMA.

Other information

27. The Construction Industry Development Board 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 thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor’s report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor’s report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

30. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

31. The leadership did not address vacancies in senior positions which resulted in inadequate exercise of oversight responsibility regarding performance monitoring and compliance with laws and regulations.

Financial and performance management

32. Management did not adequately monitor adherence with the requirements of the Treasury Regulations on supply chain management processes and as a result irregular expenditure was incurred.
33. Management did not adequately review the annual performance report for completeness and accuracy prior to their submission for audit purposes.

Other reports

34. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the 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.
35. The Special Investigation Unit (SIU) is investigating an allegation in relation to the registration of contractors at the CIDB at the request of the entity. The outcome of the investigation is still in progress at the date of this report.

Auditor - General

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Pretoria
31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement 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 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 the auditor's report, I also:

- identify and assess the risks of material misstatement of 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 entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting.
- 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 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 the auditor's report. However, future events or conditions may cause an entity to cease to continue 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

3. 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 here applicable, related safeguards.

Statement of Financial Position

as at 31 March 2017

	Note	2017 R	2016 R
ASSETS			
Current Assets			
Receivables from exchange transactions	5	2 054 842	1 958 808
Cash and cash equivalents	6	172 356 413	150 011 797
		174 411 255	151 970 605
Non-Current Assets			
Property, plant and equipment	3	11 042 152	12 851 319
Intangible assets	4	6 589 402	8 702 175
		17 631 554	21 553 494
TOTAL ASSETS		192 042 809	173 524 099
LIABILITIES			
Current Liabilities			
Finance lease obligation	7	937 869	1 260 739
Payables from exchange transactions	8	9 754 048	9 459 762
Provisions	9	9 752 554	4 568 376
Income received in advance	10	57 317 731	51 263 437
		77 762 202	66 552 314
Non-Current Liabilities			
Finance lease obligation	7	525 902	987 485
TOTAL LIABILITIES		78 288 104	67 539 799
Net Assets		113 754 705	105 984 300
Accumulated surplus		113 754 705	105 984 300

Statement of Financial Performance

For the year ended 31 March 2017

	Note	2017 R	2016 R
REVENUE			
Assessment fees	11	41 635 650	38 857 950
Other income	12	84 876	45 731
Finance income	13	12 807 066	9 351 626
Government grants		52 059 000	65 626 000
Contractor fines		850 000	490 000
Annual fees	11	43 874 353	36 070 130
Total revenue		151 310 945	150 441 437
EXPENDITURE			
Employee Benefit Cost	20	(80 828 136)	(76 144 993)
Members' emoluments	24	(1 788 483)	(1 598 881)
Depreciation and amortisation	3	(4 410 013)	(4 761 135)
Finance costs	21	(240 266)	(530 502)
Debt Impairment	22	(347 113)	(121 729)
Operating expenses	23	(55 129 795)	(50 137 029)
Total expenditure		142 743 806	133 294 269
Operating surplus		8 567 139	17 147 168
Loss on disposal of assets		(742 880)	(926 253)
SURPLUS FOR THE YEAR		7 824 259	16 220 915

Statement of Changes in Net Assets

For the year ended 31 March 2017

	Accumulated surplus	Total net assets
	R	R
BALANCE AT 01 APRIL 2015	89 763 385	89 763 385
Surplus for the year	16 220 915	16 220 915
Total changes	16 220 915	16 220 915
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 31 MARCH 2017	113 754 705	113 754 705

Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 R	2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Registers income		86 360 003	75 418 080
Grants received		52 059 000	65 626 000
Interest income		12 807 066	9 351 626
Other receipts		84 876	45 731
		151 310 945	150 441 437
Payments			
Compensation to employees		(75 643 958)	(76 436 584)
Payments to suppliers and others		(51 012 856)	(41 387 611)
		(126 656 814)	(117 824 195)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	24 654 131	32 617 242
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(543 458)	(1 292 414)
Purchase of other intangible assets	4	(225 494)	(1 864 272)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(768 952)	(3 156 686)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments – capital		(1 309 812)	(1 836 965)
Finance lease payments - finance cost		(230 751)	(530 502)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 540 563)	(2 367 467)
NET INCREASE IN CASH AND CASH EQUIVALENTS		22 344 616	27 093 089
Cash and cash equivalents at the beginning of the year		150 011 797	122 918 708
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	172 356 413	150 011 797

Statement of Comparison of Budget and Actual Amounts

As at 31 March 2017

BUDGET ON CASH BASIS

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
REVENUE						
Revenue from exchange Transactions						
Assessment fees	31 847 200	8 520 000	40 367 200	41 635 650	1 268 450	30
Other income	-	-	-	84 876	84 876	
Finance income	6 178 000	2 500 000	8 678 000	12 807 066	4 129 066	30
Total revenue from exchange transactions	38 025 200	11 020 000	49 045 200	54 527 592	5 482 392	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	52 059 000	-	52 059 000	52 059 000	-	
Contractor fines	-	-	-	850 000	850 000	
Annual fees	35 912 800	7 480 000	43 392 800	43 874 353	481 553	
Total revenue from non-exchange transactions	87 971 800	7 480 000	95 451 800	96 783 353	1 331 553	
TOTAL REVENUE	125 997 000	18 500 000	144 497 000	151 310 945	6 813 945	
EXPENDITURE						
Employee Benefit Cost	(81 475 183)		(81 475 183)	(80 828 136)	647 047	
Depreciation and amortisation	-	-	-	(4 410 013)	(4 410 013)	30
Finance costs	-	-	-	(240 266)	(240 266)	
Members' emoluments	(2 947 644)	-	(2 947 644)	(1 788 483)	1 159 161	
Debt Impairment	-	-	-	(347 113)	(347 113)	
Operating Expenses	(41 574 173)	(18 500 000)	(60 074 173)	(55 129 795)	4 944 378	30
TOTAL EXPENDITURE	(125 997 000)	(18 500 000)	(144 497 000)	(142 743 806)	1 753 194	

Statement of Comparison of Budget and Actual Amounts

As at 31 March 2017

BUDGET ON CASH BASIS

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Operating surplus	-	-	-	8 567 139	8 567 139	
Loss on disposal of assets	-	-	-	(742 880)	(742 880)	
Surplus before taxation	-	-	-	7 824 259	7 824 259	
ACTUAL AMOUNT ON COMPARABLE BASIS AS PRESENTED IN THE BUDGET AND ACTUAL COMPARATIVE STATEMENT	-	-	-	7 824 259	7 824 259	30

RECONCILIATION

Basis difference

Depreciation and amortisation	4 410 013
Finance costs	240 266
Bad debt written off	347 113
Loss on disposal of assets	742 880

ACTUAL AMOUNT IN THE STATEMENT OF FINANCIAL PERFORMANCE

13 564 531

The reasons why there was a variance in the year under review is reflected in note 30 of the Annual Financial Statements.

Accounting Policies

For the year ended 31 March 2017

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 GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation Currency

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

1.2 Going Concern Assumption

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 materially curtail 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 Judgements 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 judgement is inherent in the formation of estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 the Board has approved a bonus percentage for the year. The provision becomes actual after being qualified by

Accounting Policies

For the year ended 31 March 2017

the results of the performance measurement tool applied. Payment of performance bonuses is at 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 cidb; and
- the cost of the item can be measured reliably.
- Property, plant and equipment is initially measured at cost.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

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 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

Accounting Policies

For the year ended 31 March 2017

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

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	Average 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 future 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 estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but not consider 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 residual interest of another entity; 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; or
- 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.

Accounting Policies

For the year ended 31 March 2017

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; or
- 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.

Class

Category

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

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 liability measured at amortised cost
Payables from exchange transactions	Financial liability 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.
- 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 is recognised as revenue or expense in surplus or deficit.

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

Accounting Policies

For the year ended 31 March 2017

1.7 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 of on the remaining balance of the liability. 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.

Assets held under finance leases are depreciated over their expected useful lives or the term of the relevant lease, where 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 are recognised as an operating lease asset or liability.

1.8 Accruals

Accrual liabilities represent expenses already incurred but not yet paid.

1.9 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.

1.10 Employee Benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave and performance bonuses are recognised in the period in which the service is rendered and are 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.

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 obligation 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 its employees, the provident fund 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 01 September 2010 and optional for all employees who joined cidb before the said date.

cidb employee benefit structure is on the total cost to company and as such do not directly contribute towards the provident fund on behalf of its employees who are members of the provident fund and only employees contribute towards the provident fund.

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

1.11 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.

Accounting Policies

For the year ended 31 March 2017

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.

1.12 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 from owners.

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.

Assessment fees

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 cidb;
- 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 time frame, revenue is recognised on a straight line basis over the specified time frame 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 entity assets yielding interest 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.

1.13 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 Department of Public Works (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.

Accounting Policies

For the year ended 31 March 2017

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 Department of Public Works and is received on an annual basis 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.

1.14 Finance Costs

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

1.15 Unauthorised Expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and Wasteful Expenditure

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

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

1.17 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 01 April 2015 requires 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 only condoned in the subsequent financial year, the register and the disclosure note to the Annual Financial Statements must be updated with the amount condoned.

Accounting Policies

For the year ended 31 March 2017

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 Generally Recognised Accounting Practice (GRAP).

Irregular expenditure that is not recoverable because no official was found to be liable in law for such transgression and was not also not condoned by the relevant Treasury will be de-recognised in the balance of the irregular expenditure note. The accounting authority will only de-recognise irregular expenditure 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 lead 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 after confirmation of the controls implemented by management to prevent occurrence of irregular expenditure by informing the relevant delegated official in writing to de-recognise the irregular expenditure in the notes to the financial statements.

1.18 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 with entities within the ambit of the Department of Public Works and transactions not carried out at arms' 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.

1.19 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 programmes linked to performance outcome objectives. The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

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 have been included in the Annual Financial Statements. Refer to note 30.

1.20 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 2017

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 issued, but not yet effective

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 01 April 2017 or later periods and no standards and interpretations are relevant to cidb's operations.

3. PROPERTY, PLANT AND EQUIPMENT

Assets subject to finance lease (Net carrying amount)	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	7 235 515	(4 004 545)	3 230 970	7 392 541	(3 657 911)	3 734 630
Motor vehicles	180 775	(97 619)	83 156	180 775	(65 079)	115 696
Office equipment	6 088 447	(3 376 442)	2 712 005	8 997 100	(5 581 660)	3 415 440
Computer equipment	9 060 655	(4 044 634)	5 016 021	8 962 582	(3 377 029)	5 585 553
TOTAL	22 565 392	(11 523 240)	11 042 152	25 532 998	(12 681 679)	12 851 319

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	-	-	(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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	4 119 896	99 252	(46 214)	(438 304)	3 734 630
Motor vehicles	148 235	-	-	(32 539)	115 696
Office equipment	3 868 751	1 476 440	(195 371)	(1 734 380)	3 415 440
Computer equipment	6 158 533	898 957	(627 110)	(844 827)	5 585 553
	14 295 415	2 474 649	(868 695)	(3 050 050)	12 851 319

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.

	2017	2016
Assets subject to finance lease (Net carrying amount)		
Office equipment	974 736	1 412 500
Computer software, other	373 412	666 534
	1 348 148	2 079 034

4. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
TOTAL	13 106 997	(6 517 595)	6 589 402	13 728 202	(5 026 027)	8 702 175

RECONCILIATION OF INTANGIBLE ASSETS - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Computer software, other	8 702 175	225 494	(442 717)	(1 895 550)	6 589 402

RECONCILIATION OF INTANGIBLE ASSETS - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Computer software, other	7 768 937	2 701 882	(57 558)	(1 711 086)	8 702 175

PLEDGED AS SECURITY

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

Notes to the Annual Financial Statements

For the year ended 31 March 2017

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	707 521	479 398
Employee costs in advance	-	22 847
Prepayments	1 347 321	1 456 563
	2 054 842	1 958 808

TRADE AND OTHER RECEIVABLES IMPAIRED

As of 31 March 2017, trade and other receivables of R9,701 (2016: R22,193) were impaired and provided for. The amount of the provision was R471,921 as of 31 March 2017 (2016: R134,509).

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.

	2017	2016
	R	R
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(134 509)	(34 973)
Provision for bad debt (I/S)	(471 921)	(134 509)
Unused amounts reversed	134 509	34 973
	(471 921)	(134 509)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	40 342	33 102
Bank balances - Call Deposits	1 770 903	5 009 359
Bank balances - Maturity Deposits	170 545 168	144 969 336
	172 356 413	150 011 797

A financial guarantee in a form of a Security Bond amounting to R3 151,281 was issued to Raphela Incorporated. The guarantee was issued to the Department of Labour in compliance with section 145(8) of the Labour Relations Act of 1995, as amended.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

7. FINANCE LEASE OBLIGATION

	2017 R	2016 R
MINIMUM LEASE PAYMENTS DUE		
- within one year	1 074 402	1 458 316
- in second to fifth year inclusive	559 733	1 073 608
	1 634 135	2 531 924
less: future finance charges	(170 364)	(283 700)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	1 463 771	2 248 224

PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE

- within one year	937 869	1 260 739
- in second to fifth year inclusive	525 902	987 485
	1 463 771	2 248 223
Non-current liabilities	525 902	987 485
Current liabilities	937 869	1 260 739
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	1 463 771	2 248 224

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 printing services.

The average effective borrowing rate of the lease agreements is 12% (2016: 13%).

Interest rates are fixed at the contract date. All leases 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

	2017 R	2016 R
Trade payables	2 025 072	3 023 585
Unallocated deposits	3 226 386	3 239 524
Trade accruals	3 691 743	2 393 822
Other payroll accruals	47 121	142 858
Payroll liabilities	763 715	659 973
	9 754 037	9 459 762

Notes to the Annual Financial Statements

For the year ended 31 March 2017

9. PROVISIONS

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	-	4 936 783	-	4 936 783
	4 568 376	8 871 057	(3 686 879)	9 752 554

RECONCILIATION OF PROVISIONS - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for performance bonus	2 169 007	2 037 136	(2 169 007)	2 037 136
Provision for leave	2 540 960	2 653 312	(2 663 032)	2 531 240
Provision for termination	150 000	-	(150 000)	-
	4 859 967	4 690 448	(4 982 039)	4 568 376

Provision for performance bonus is calculated at 7% of annual salaries of all non-bargaining staff members. The bonuses are payable to all non-bargaining staff members who qualify for the performance bonuses. There are no uncertainties envisaged that may affect the above provisions.

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.

Provision for termination is related to a Labour Court case not yet finalised.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

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.

CONTRACTORS NOT ASSESSED (WORK-IN-PROGRESS)	57 317 731	51 263 437
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11. REVENUE

	2017	2016
	R	R
Assessment fees	41 635 650	38 857 950
Other income	84 876	45 731
Finance income	12 807 066	9 351 626
Government grants	52 059 000	65 626 000
Contractor fines	850 000	490 000
Annual fees	43 874 353	36 070 130
	151 310 945	150 441 437

The amount included in revenue arising from exchanges of goods or services are as follows:

Assessment fees	41 635 650	38 857 950
Other income	84 876	45 731
Finance income	12 807 066	9 351 626
	54 527 592	48 255 307

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants	52 059 000	65 626 000
Contractor fines	850 000	490 000
Annual fees	43 874 353	36 070 130
	96 783 353	102 186 130

Notes to the Annual Financial Statements

For the year ended 31 March 2017

12. OTHER INCOME

	2017 R	2016 R
Proceeds from insurance claims	24 041	15 476
Sundry income	60 835	30 255
	84 876	45 731

13. FINANCE INCOME

Revenue from finance income

BANK	12 807 066	9 351 626
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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

External audit fees	1 205 618	807 877
Internal audit fees	812 943	764 041
	2 018 561	1 571 918

Notes to the Annual Financial Statements

For the year ended 31 March 2017

16. CASH GENERATED FROM OPERATIONS

	2017	2016
SURPLUS	7 824 259	16 220 914
Adjustments for:		
Depreciation and amortisation	4 410 013	4 761 135
Loss on assets written off	742 880	926 253
Finance costs	240 266	530 502
Debt impairment	347 113	121 729
Movements in provisions	5 184 178	(291 591)
Changes in working capital:		
Receivables from exchange transactions	(96 034)	(540 479)
Reversal of bad debts provision	(347 113)	(121 729)
Payables from exchange transactions	294 275	2 705 913
Income received in advance	6 054 294	8 304 595
	24 654 131	32 617 242

17. COMMITMENTS

Already contracted for but not provided for

Outstanding contractual obligations as at year-end	26 477 892	19 213 816
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Total capital commitments

Already contracted for but not provided for	26 477 892	19 213 816
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Commitments relates to all contractual agreements cidb entered into with certain service providers, none of the commitments relates to acquisition of items of fixed assets in nature. Prior year commitments balance of R19 050 181.00 have been restated by R163 000 reflect a more comprehensive obligation in line with current year balance.

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 Department of Public Works 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. DPW granted 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.

18. CONTINGENCIES

CONTINGENT LIABILITIES

Liable to:

National Treasury	70 171 161	16 220 915
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Notes to the Annual Financial Statements

For the year ended 31 March 2017

18. CONTINGENCIES (CONTINUED)

The accumulated surplus of R70 8171 161 has been classified as a contingent liability at 31 March 2017 as per the requirements of National Treasury Instruction 6 of 2017/18 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.

19. RELATED PARTIES

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

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).

	2017	2016
	R	R
RELATED PARTY BALANCES		
Council for the Built Environment - facilitation of a governance workshop by KPMG	-	128 607
RELATED PARTY TRANSACTIONS		
Grant transfer received from DPW		
Department of Public Works	52 059 000	65 626 000
Transfer for Department of Public Works projects		
Department of Public Works	-	1 150 000
Paid on behalf of related parties		
Council for the Built Environment - facilitation of a governance workshop by KPMG	-	(128 607)

Notes to the Annual Financial Statements

For the year ended 31 March 2017

20. EMPLOYEE BENEFIT COST

	2017	2016
Basic	62 001 118	62 678 550
Bonus	1 369 704	1 390 113
UIF	301 973	317 847
Group Life company contribution	294 103	300 363
Leave payment	829 520	258 852
Provident fund contributions	4 319 457	3 969 784
	69 115 875	68 915 509
REMUNERATION OF EXECUTIVES		
Annual Remuneration	10 116 220	6 626 371
Acting Allowance	1 106 492	136 668
Performance Bonuses	489 549	466 445
	11 712 261	7 229 484
TOTAL		
EMPLOYEE BENEFIT COST	80 828 136	76 144 993

21. FINANCE COSTS

FINANCE LEASES	240 266	530 502
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22. BAD DEBT WRITTEN OFF

Bad debts written off	9 701	22 193
Provision for bad debts	471 921	134 509
Reversal of bad debts provision	(134 509)	(34 973)
	347 113	121 729

Notes to the Annual Financial Statements

For the year ended 31 March 2017

23. OPERATING EXPENSES

	2017	2016
Audit fees	2 018 561	1 571 918
Bank charges	648 311	568 805
Other maintenance, repairs and running cost	1 297 369	1 263 907
Consulting and professional fees	21 788 627	15 247 190
Audit committee remuneration	-	5 951
Insurance	422 826	382 915
Computer expenses and consumables	2 078 400	1 419 026
Lease rentals – Buildings	5 542 308	5 542 308
Lease rentals – Other	890 430	573 062
Sponsorships	67 835	40 780
Motor vehicle expenses	9 663	15 014
Courier and delivery charges	399 217	510 494
Printing and stationery	4 148 838	4 178 001
Security	955 573	1 496 826
Training and staff development	1 213 291	1 614 367
Subscriptions and membership fees	50 527	114 624
Telephone and fax	2 632 296	2 739 287
Travel and subsistence - local	4 247 021	3 140 345
Electricity	1 402 984	1 877 484
Advertising	1 185 955	776 372
Legal fees	1 664 652	5 888 219
Board training	223 296	129 747
Venue expenses	2 241 815	1 040 388
	55 129 795	50 137 030

Notes to the Annual Financial Statements

For the year ended 31 March 2017

24. MEMBERS' EMOLUMENTS AND REMUNERATION OF EXECUTIVES

BOARD 2017

Designation	Board Meetings	Committee Meetings	Other Activities Board	Meetings	Committee Meetings	Other Activities	Travel Allowance	Total
Nevhuthalu L	13	-	20	92 240	-	154 561	67 088	313 889
Myataza L	11	6	11	79 520	60 125	70 309	219 848	429 802
Jiyane C	11	5	6	59 155	24 729	36 852	24 283	145 019
Fatyela-Lindie M#	9	8	7	-	-	-	9 455	9 479
Mosai S	9	5	5	48 488	29 093	27 154	23 700	128 435
Maas N	13	5	5	68 853	29 093	27 153	14 254	139 353
Makhura M	13	9	16	71 762	50 427	66 434	17 679	206 302
Skeepers N	8	7	6	46 548	40 730	34 428	12 413	134 119
Sidzumo V	6	3	8	31 033	17 456	40 240	8 298	97 027
Patel H	13	6	4	93 096	46 548	30 790	170 102	340 536
Maduray G	10	8	4	58 185	46 548	18 426	5 010	128 169
Pandor N	10	9	13	56 246	46 548	56 735	20 867	180 396
Makibinyane L	9	4	5	62 064	31 032	35 882	58 622	187 600
TOTAL EMOLUMENTS - BOARD				767 190	422 329	598 964	651 619	2 440 126

BOARD 2016

Total emoluments - Board	594 132	495 733	509 016	473 399	2 072 280
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#*Fatyela-Lindie M is not entitled to remuneration as she is a public servant (DPW representative).
Members' emoluments for the Board in respect of all meetings and activities amounted to a total of R1, 788,483 (2015: R1, 598,880).

Notes to the Annual Financial Statements

For the year ended 31 March 2017

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

Board meetings include:

- Statutory meetings, all pre-scheduled board/exco and committee meetings for the year; this includes Board induction and strategic planning meetings
- All provincial stakeholder liaison meetings
- 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, strategic board task teams, road shows, 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.

During the year, the following changes occurred within the period preceding issue of this report, Ms. Nazreen Pandor resigned on the 09 January 2017 and Ms. Vuyiswa Sidzumo resigned on the 13 April 2017.

Executives	Designation	Salary	Acting Allowance	Performance Bonus	Total
Gwazube M	Acting CEO	4 000	48 056	-	52 056
Khumalo H (Acting CEO: 01 Dec 2015 until 31 Jan 2017)	Acting CEO	1 286 495	245 315	-	1 531 810
Moola E	Prog Manager	1 403 622	-	96 994	1 500 616
Naidoo G (Resigned on 30 Nov 2016)	Prog Manager	1 024 145	-	-	1 024 145
Milford R	Prog Manager	1 560 250	-	107 789	1 668 039
Thumbiran I (Resigned 31 Oct 2016)	Prog Manager	870 797	-	-	870 797
Nsibande S (Acting CFO: 29 Mar 2016 to date)	Acting CFO	925 902	289 440	68 442	1 283 784
Seabelo M (Acting Corporate Services: 29 Mar 2016 to date)	Acting Prog Manager	1 046 954	224 165	77 580	1 348 699
Mphahlele K (Acting Prog Manager: 01 Dec 2016 to date)	Acting Prog Manager	1 041 323	112 204	72 893	1 226 420
George B (Acting Prog Manager: 01 Nov 2016 to date)	Acting Prog Manager	952 732	187 313	65 851	1 205 896
TOTAL EMOLUMENTS - EXECUTIVES		10 116 220	1 106 493	489 549	11 712 262

Notes to the Annual Financial Statements

For the year ended 31 March 2017

AUDIT COMMITTEE 2017

	Designation	Committee meetings	Committee meeting fees	Other meetings	Travel allowance	Total
2017						
Total emoluments - Audit committee	-	-	-	-	-	-
2016						
Total emoluments - Audit committee	-	-	4 592	-	1 359	5 951

During the year, all members of Audit, Risk and Governance committee were members of the cidb board.

The following changes occurred on the 01st September 2016, the committee was renamed the Audit, Risk and Governance committee and comprised of Mr. Lefadi Makibinyane (chairperson), Mr. Sipho Mosai (member) and Ms. Nazreen Pandor (member). Subsequently Ms. Nazreen Pandor resigned on the 09th January 2017 as both the member of the Board and the committee, Mr. Hareesh Patel was then co-opted to re-join the committee in her place.

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 eighteen years. The effect of this revision has reduced the depreciation charges for the current and future periods by R4 749. The effect of this revision has increased surplus for the year by R 190 614.

26. RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that cidb will not be able to meet 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.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

26. RISK MANAGEMENT (CONTINUED)

AT 31 MARCH 2017	Carrying	Contractual cash flows	Contractual cash flows with 1 year	Contractual cash flows between 1 and 5 years
Trade and other payables	9 754 037	9 754 037	9 754 037	-
Income received in advance	57 317 731	57 317 731	57 317 731	-
Finance lease	1 463 771	1 463 771	937 869	525 902

AT 31 MARCH 2016				
Trade and other payables	9 459 762	9 459 762	9 459 762	-
Income received in advance	51 263 436	51 263 436	51 263 436	-
Finance lease	2 248 223	2 248 223	1 260 739	987 484

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

FINANCIAL INSTRUMENT	Classification	2017 R	2016 R
Cash and cash equivalents	Financial asset at amortised cost	172 356 413	150 011 797
Receivables	Financial asset at amortised cost	707 521	502 245
Trade and other payables	Financial liability measured at amortised cost	9 754 037	9 459 761
Income received in advance	Financial liability measured at amortised cost	57 317 731	51 263 436
Finance lease	Financial liability measured at amortised cost	1 463 771	2 248 223
Financial guarantee	Financial liability measured at amortised cost	3 151 285	3 151 285

	Loans and Receivables	Financial Liabilities at amortised cost	Total
2017			
Finance income	12 807 066	-	12 807 066
Finance charges	-	(240 266)	(240 266)
	12 807 066	(240 266)	12 566 800
2016			
Finance income	9 351 626	-	9 351 626
Finance charges	-	(530 502)	(530 502)
	9 351 626	(530 502)	8 821 124

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.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

26. RISK MANAGEMENT (CONTINUED)

	Change investments (%)	Upward Change	Downward Change
2017			
Cash and cash equivalents	1	1 723 564	(1 723 564)
2016			
Cash and cash equivalents	1	1 500 118	(1 500 118)

Credit risk

Credit risk consists mainly of cash and cash equivalents and trade and other receivables. The cidb only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. The cidb trades only with recognised, creditworthy third parties and monitors receivable balances on an on-going 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 counter-party, 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 institution 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 consist 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 are secured by collateral or other credit enhancements such as guarantees.

Exposure to credit risk

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

	2017	2016
Financial instrument	R	R
Cash and cash equivalents	172 356 413	150 011 797
Trade and other receivables	707 521	502 245

Notes to the Annual Financial Statements

For the year ended 31 March 2017

26. RISK MANAGEMENT (CONTINUED)

Ageing of financial assets

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

	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
2017				
Cash and cash equivalents	172 356 413	-	-	172 356 413
Trade and other receivables	-	-	707 521	707 521
	172 356 413	-	707 521	173 063 934

2016				
Cash and cash equivalents	150 011 797	-	-	150 011 797
Trade and other receivables	-	-	502 245	502 245
	150 011 797	-	502 245	150 514 042

CONCENTRATION OF CREDIT RISK

The cidb invest funds primarily with both of its bankers being Investec and Standard Bank. Fitch credit rates Investec as a BB+ and Standard Bank as BBB-.

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

	BBB-	BBB+	Unrated
2017			
Cash and cash equivalents	11 128 375	161 227 799	239
Other receivables	-	-	707 521
	11 128 375	161 227 799	707 760

2016			
Cash and cash equivalents	104 497 414	45 508 913	5 470
Trade and other receivables	-	-	502 245
	104 497 414	45 508 913	507 715

27. EVENTS AFTER THE REPORTING DATE

There were no significant events after balance sheet date.

28. FRUITLESS AND WASTEFUL EXPENDITURE

There was no fruitless or wasteful expenditure incurred during the period under review.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

29. IRREGULAR EXPENDITURE

	2017 R	2016 R
Opening balance	148 760	347 445
Add: Irregular Expenditure - current year	1 477 599	2 348 338
Less: Amounts condoned	(812 943)	(2 547 023)
	813 416	148 760

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

Continuing legacy contracts	Description	Amounts
Inconsistency in the evaluation of functionality	The contract is on its second year of the 3 year term & upon termination no extension will be done. Disciplinary action was taken against the employees who have caused the irregular expenditure	812 943
SCM deviation not followed	Extension of the printing contract deemed not in line with SCM process. National Treasury have been engaged to issue its opinion and upon receiving that opinion, the cidb will follow process to ensure consequence management.	664 656
		1 477 599

DETAILS OF CURRENT YEAR IRREGULAR EXPENDITURE - PRIOR YEAR

Continuing legacy contracts	Description	Amounts
No supporting documentation of SCM process followed	Tender awarded to a new service provider. No action taken as employee concerned left the organisation	106 325
No contract	The contract terminated. No action taken as employee concerned left the organisation	17 642
Expired contract	The contract terminated. No action taken as employee concerned left the organisation	6 515
SCM process not followed in the deviation and extension of scope of contract	Internal investigation into registration of contractors in the cidb. No action taken as employee concerned left the organisation.	380 974
Inconsistency in the evaluation of functionality	The contract is on its second year of the 3 year term and upon termination no extension will be done. Disciplinary action was taken against the employees who have caused the irregular expenditure	764 041
No SBD forms and Tax Clearance Certificate	Disciplinary action was taken against the employee who did not perform the administrative checks before the service provider was awarded the contract. The contract was consequently terminated.	49 290
No Valid Tax Clearance Certificate	This matter is currently under investigation and will be reported accordingly in line with SCM policy	874 791
Not following SCM process	This matter is currently under investigation and will be reported accordingly in line with SCM policy	148 760
		2 348 338

Notes to the Annual Financial Statements

For the year ended 31 March 2017

30. 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 2017, 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 2017, revenue collected exceeded the expenditure incurred resulting in a net surplus of R7 824 259.

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 R1 268 450 over-collected. This difference arose as a result of cidb having received more applications for annual fees and assessments than originally anticipated. Finance income collected is also more by R4 129 066 as a result of cidb having more available cash resources than in the previous year.

Members' emolument is also less than budgeted as a result of fewer meetings than anticipated. Operating expenditure was also less than anticipated due to projects which cidb could not spend on due to challenges relating to procurement as well as some projects committed in the current year actually planned to overlap in future financial year/s. The difference on depreciation of R4 613 052 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.

After taking into account the opening accumulated surplus of R105 930 446, this resulted in the increase in the accumulated surplus to R113 754 705 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 over collection of revenue. The approved budget was augmented by an adjustment of R18 500 000 which was located from R2 500 000 from Finance Income and R16 000 000 from Registers fees.

Operational expenditure was therefore adjusted by R18 500 000. The adjusted budget of R18 500 000 was consequently allocated as follows: R16 500 000 to Professional Fees and Board expenses. The balance of R2 000 000 was allocated to computer and IT expenditure.



ANNUAL PERFORMANCE PLANS

Annual Performance Plans

PROGRAMME 1: CONSTRUCTION REGISTER SERVICES (CRS)

Programme purpose: Implement, manage and improve national registration services covering the Register of Contractors (RoC), Register of Projects (RoP) and new Registers that may be implemented in terms of the CIDB Act.

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE PROGRESS	DEVIATION
1.1	Effective and efficient registration service	Quarterly production report.	Percentage contractor registration within the prescribed 21 working days turnaround time for all compliant applications for Grade 2-9 contained in the quarterly production report.	94 % compliance with the legislated turnaround time on processing compliant Grade 2-9 applications by end of March 2017	Not Achieved There were 27,043 Grade 2 to 9 applications activated in the 2016/2017 financial year of which 22,274 were processed within a period of 21 working days. This equates to 82% compliance with the prescribed turnaround time.	Non achievement of the target is attributed to a lack of adequate human resources to effectively administer the register of contractors. It is to be noted that there is a dependency between a provincial office and head office registration processing functions. Vacant positions could not be filled pending the conclusion of the Organisational Redesign project.
1.2	Combatting Fraud and Corruption internally	Fraud Prevention and Detection Plan	Number of Construction Registers Service (CRS) Fraud Prevention and Detection Plan approved by cidb EXCO	1 * revised CRS Fraud Prevention and Detection Plan approved by EXCO by 30 June 2016	Achieved The revised CRS Fraud Prevention and Detection Plan was approved and signed by EXCO members through a round robin process concluded on 21 June 2016	

Annual Performance Plans

PROGRAMME 1: CONSTRUCTION REGISTER SERVICES (CRS) (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE PROGRESS	DEVIATION
1.3	Provision of excellent customer service	Contractor registration satisfaction survey	Number of phases implemented for customer satisfaction survey system related to new contractor applications.	Implementation of Phase 1 of the customer satisfaction survey system for new contractors by 30 December 2016	Achieved Implementation of the Phase 1 of the customer satisfaction survey system continued and progressed from the implementation of the pilot phase.	
1.4	Effective and efficient registration service	Online Registration	Number of phases implemented for online contractor registration comprising the annual update of particulars	Implementation of Phase 1 of online contractor registration comprising the annual update of particulars by 31 March 2017	Not Achieved The online contractor registration comprising the annual update of particulars was not implemented in the 4th quarter, as the appointment of the service provider could not be finalised due to the new strategic direction that the organisation is pursuing regarding software solutions and platforms.	A strategic decision was taken to reassess software solutions and platforms. Therefore, planned registration software projects were halted.

Annual Performance Plans

PROGRAMME 2: PERFORMANCE INFORMATION: CONSTRUCTION INDUSTRY PERFORMANCE

Programme purpose: To determine, establish and promote appropriate measures aimed at improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PERFORMANCE PROGRESS	DEVIATION
2.1	Regulating to minimise construction risk	Annual Assessment Report on state of implementation of cidb Best Practice Contractor Recognition Scheme	Number of Annual Assessment Reports on state of implementation of cidb Best Practice Contractor Recognition Scheme submitted to Board Secretariat for noting	1 x Annual Assessment Report on state of implementation of cidb Best Practice Contractor Recognition Scheme submitted to Board Secretariat by end-March 2017 for cidb Board for noting	Achieved 1 x Annual Assessment Report on state of implementation of cidb Best Practice Contractor Recognition Scheme was submitted to Board Secretariat on 22 March 2017	
2.2	Regulations to enhance procurement reform and delivery management	cidb Compliance Monitor	Number of cidb Compliance Monitor monitoring state of compliance by client departments with requirements for tender notices, tender awards and contract closure published in pdf format on cidb Web	4 x cidb Construction Monitor published in pdf format on cidb web in 2016/17 (end-Apr, Jul, Oct, Jan)	Achieved 4 x cidb Compliance Monitor were published in pdf format on cidb web 2016/17 at end of Apr, Jul, Oct, Jan 2017	

Annual Performance Plans

PROGRAMME 2: PERFORMANCE INFORMATION: CONSTRUCTION INDUSTRY PERFORMANCE (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PERFORMANCE PROGRESS	DEVIATION
2.3	Develop and implement the best practice registers in support of improving the performance of the industry	cidb Standard for Contract Participation	Number of cidb Standard for Contract Participation specifying uniform and minimum contract participation goals submitted to DPW	1 x cidb Standard for Contract Participation submitted to DPW by end-December 2016	Achieved 1 x cidb Standard for Contract Participation was submitted to DPW on 1 December 2016	
		cidb Standard for Contract Participation	Number of report on Pilot study on CONQUAS SA Quality Assessments submitted to Programme Manager	1 x Report on Pilot of cidb Standard for CONQUAS SA Quality Assessments submitted to Programme Manager by end-March 2017	Achieved 1 x Report on Pilot on cidb Standard for CONQUAS SA Quality Assessments was submitted to CIP Programme Manager on 31 March 2017	
		cidb Standard for Contract Participation	Number of Annual Assessment Reports on state of implementation of cidb Best Practice Project Assessment Scheme submitted to Board Secretariat	1 x Annual Assessment Report on state of implementation of cidb Best Practice Project Assessment Scheme submitted to Board Secretariat by end-March 2017	Achieved 1 x Annual Assessment Report on state of implementation of cidb Best Practice Project Assessment Scheme was submitted to Board Secretariat on 22 March 2017	

Annual Performance Plans

PROGRAMME 2: PERFORMANCE INFORMATION: CONSTRUCTION INDUSTRY PERFORMANCE (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PERFORMANCE PROGRESS	DEVIATION
2.4	Support the development and promotion of infrastructure delivery skills	cidb operated or facilitated SDA with a capacity to manage 50 learners per year	Number of Annual Assessment Reports on state of SDA submitted to Programme Manager	1 x cidb operated or facilitated SDA with a capacity to manage learners per year operational by end-March 2017	Achieved 1 x cidb operated or facilitated SDA with a capacity to manage learners per year operational was submitted to CIP Programme Manager on 20 March 2017	
2.5	Support academic excellence and R&D	cidb Post Graduate (PG) Conference or Doctoral Workshop hosted	Number of cidb Post Graduate (PG) Conference or Doctoral Workshop hosted annually	1 x Doctoral Workshop hosted by end-March 2017	Achieved 1 x PG Conference was hosted on 27 February 2017	
2.6	Monitor and evaluate the performance of the construction Industry	Monitoring reports, and sector specific status reports.	Number of cidb Construction Industry Indicators (CIIs) Summary Results monitoring client and contractor perceptions and procurement indicators published in pdf format on cidb Web	1 x CRM enhancements implemented for automated client and contractor surveys on practical completion of projects by end-March 2017	Not Achieved CRM enhancements implemented for automated client and contractor surveys on practical completion of projects was not achieved by 31st March 2017	Reason for deviations The CRM enhancements were not undertaken due to priorities set by the CRS Programme and the workload of the service provider

Annual Performance Plans

PROGRAMME 2: PERFORMANCE INFORMATION: CONSTRUCTION INDUSTRY PERFORMANCE (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PERFORMANCE PROGRESS	DEVIATION
2.6	Monitor and evaluate the performance of the construction industry		<p>Number of cidb Monitor monitoring the state of the development of the industry) published in pdf format on cidb Web:</p> <ul style="list-style-type: none"> • Quarter 1: Supply & Demand • Quarter 2: Contractor Development • Quarter: Employment • Quarter 4: Transformation 	<p>4 x cidb Construction Monitor published in pdf format on cidb web in 2016/17 (end-Apr, Jul, Oct, Jan)</p>	<p>Achieved 4 x cidb Construction Monitor were published in pdf format on cidb web in 2016/17 in Apr, Jul, Oct and Jan 2017</p>	
			<p>Number of cidb SME Business Conditions Survey monitoring Business Conditions (business confidence, competition, employment, access to credit) by Grade and Province published in pdf format on cidb Web</p>	<p>4 x SME Surveys published in pdf format on cidb Web in 2016/17 during Apr, Jul, Oct, and Jan 2017</p>	<p>Achieved 4 x SME Surveys published in pdf format on cidb Web in 2016/17 during Apr, Jul, Oct, and Jan 2017</p>	
2.7	Enhanced Income generation model	Register of Professional Service Providers	<p>Number of Regulation Amendments scoping documents for cidb Register of Professional Services Providers submitted to DPW</p>	<p>1 x Regulation Amendments scoping document for cidb Register of Professional Services Providers submitted to DPW by end – March 2017</p>	<p>Achieved 1 x Regulation Amendments scoping document for cidb Register of Professional Services Providers submitted to DPW on 26 March 2017</p>	

Annual Performance Plans

PROGRAMME 3: PROCUREMENT AND DELIVERY MANAGEMENT (PDM)

Programme purpose: Develop, promote and monitor uniform application of cidb prescripts throughout all organs of state and industry stakeholders including procurement standards, construction procurement reform, improved infrastructure delivery management practices and the cidb Code of Conduct.

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE PROGRESS	DEVIATION
3.1	Regulations to enhance procurement reform and delivery management	Assessment Report on the state of implementation	Number of assessment report on the state of implementation of the prescripts for prompt payment	1 x Assessment Report on the state of implementation of the prescripts for Prompt Payment by end March 2017	Achieved: An assessment report on the state of implementation of the prescripts for prompt payment is available as at 31 March 2017	
		Revised regulations to the CIDB Act published in the government gazette	Number of Revised regulations to the CIDB Act published in the government gazette	1 x reviewed Regulations to the CIDB Act submitted to Minister for gazetting by 31 March 2017	Achieved The regulations issued in terms of the CIDB Act submitted to Minister for publishing in the government gazette by 31 March 2017	

Annual Performance Plans

PROGRAMME 3: PROCUREMENT AND DELIVERY MANAGEMENT (PDM) (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE PROGRESS	DEVIATION
3.2	Regulations to enhance procurement reform and delivery management	Construction procurement competence standards published in the government gazette	Number of Construction procurement competence standards published in the government gazette	1 x prescripts for construction procurement competence standards submitted to Minister for gazetting by March 2017	Not Achieved: Prescripts for construction procurement competence standards has not been submitted to Minister by end March 2017	The competence Framework is being reviewed and the competency Standard has to be developed after the framework has been finalised. With the introduction of the SIPDM, the cidb no longer has the authority to issue both the Standard and the Prescripts for Construction Procurement Competence
3.3	Improving client performance	cidb Best Practice Client Recognition Scheme	Number of draft framework of a Client Recognition Scheme Number of Research Report to investigate contract management challenges of the Client	1 x draft framework of a Client Recognition Scheme submitted to Exco for noting by end-March 2017 1 x Final Research Report on Contract Management challenges of the Client developed by 31 March 2017	Achieved A draft framework of a Client Recognition Scheme submitted to the Board Secretariat by end March 2017 Achieved: Final Research Report on the Contract Management challenges of the Client submitted to Board Secretariat by end March 2017	

Annual Performance Plans

PROGRAMME 3: PROCUREMENT AND DELIVERY MANAGEMENT (PDM) (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE PROGRESS	DEVIATION
3.4	Improving Compliance Monitoring and Enforcement to cidb Regulatory Framework	Compliance Strategy	Number of Annual Report on Implementation of Compliance Strategy	1 x Annual report on implementation of Compliance Strategy by end March 2017	Achieved Annual report on implementation of the Compliance Strategy is available as at 31 March 2017	
		Anti-corruption strategy	Number of Client Integrity Management System Standard	1 X Annual assessment Report on state of implementation Integrity Management System Standard for clients submitted to cidb Board end March 2017	Achieved: Assessment Report on state of implementation Integrity Management System Standard submitted to Board Secretariat by end March 2017	
3.5	Improved Communication with key Construction procurement stakeholders	Improved Model for CPO forum	Improved approach to Construction Procurement Officer's (CPO) Forum for improved best practice in construction procurement and delivery	1 x annual Assessment Report on the roll out of an improved model for CPO Forum by end March 2017	Achieved Annual Assessment Report on the roll out of an improved model for CPO Forum available as at 31 March 2017	
3.6	Capacitation and training of cidb stakeholders	Trained and capacitated stakeholders	Number of Training and capacitation sessions per year, (on procurement outcomes for client Contractor Development Programs CDPs, IDMT and other procurement related topics)	1 x annual report for training and Capacitation of Public Sector Clients on cidb prescripts by March 2017	Achieved: Annual report on training and capacitation of Public Sector Clients on cidb prescripts is available as at 31 March 2017	

Annual Performance Plans

PROGRAMME 4: PROVINCIAL OFFICES AND CONTRACTOR DEVELOPMENT (PCD)

Programme purpose: To offer an efficient and effective registrations service through the CRS Programme and the provincial offices.

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE REPORT	DEVIATION
4.1	Effective and efficient registration service	Quarterly registration report	Percent of Grade 1 compliant registrations activated within a 2 working day turnaround time from time of receipt, contained in the quarterly production report.	92% of Grade 1 compliant registrations activated within 48 working hours from time of receipt, reported per quarter	Achieved There were 46,416 Grade 1 applications activated in the 2016/2017 financial year of which 43,079 were processed within a period of 48 working hours. This equates to 93% compliance with the prescribed turnaround time.	
4.2	Enhanced capacity of municipal procurement and contractor development	Municipal procurement and contractor development capacity	Municipal procurement and contractor development capacity e.g. IDMS, i-tender, Best Practices, NCDP, CDP guidelines, etc.	Municipal procurement and contractor development capacity e.g. IDMS, i-tender, Best Practices, NCDP, CDP guidelines, etc. – 1 session per province by March 2017	Achieved 1 session held per province by the 31 March 2017 covering Municipal procurement and contractor development capacity e.g. IDMS, i-tender, Best Practices, NCDP, CDP guidelines, etc.	
		Electronic Monitoring and evaluation system report.	% of Public Sector CDPs are registered on the cidb electronic Monitoring and evaluation system at the requisite data quality and completeness	Electronic Monitoring and evaluation system report - 80% of Public Sector CDPs are registered on the cidb electronic Monitoring and evaluation system complying at a level of 90% data by 31 March 2017	Achieved 90% (19 out of 21) of Public Sector CDPs were registered on cidb Monitoring and Evaluation System, and compliance is at a level of 90% data Quality	

Annual Performance Plans

PROGRAMME 4: PROVINCIAL OFFICES AND CONTRACTOR DEVELOPMENT (PCD) (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	PERFORMANCE TARGETS	PERFORMANCE REPORT	DEVIATION
4.3	cidb provincial offices services customer satisfaction	Contractor satisfaction reports with actions and remedial measures for complaints.	% of satisfaction from Customer bi-annual survey averaged across all provinces from a minimum sample of 10% of office walk-ins and 50% PCDF stakeholders to be surveyed.	95% from Customer bi-annual survey (end Sept 2016 and end March 2017) averaged across all provinces from a minimum sample of 10% of office walk-ins and 50% PCDF stakeholders to be surveyed	Achieved Customer satisfaction level survey reflects more than 96% satisfactions (1511 of 1572) and less than 5% complaints (3.8) were recorded and further at least 70% of PCDF (Provincial Construction Development Forum) attendees survey	
			% of satisfaction from Customer bi-annual survey averaged across all provinces from a minimum sample of 10% of office walk-ins and 50% PCDF stakeholders to be surveyed.	95% from Customer bi-annual survey (end Sept 2016 and end March 2017) averaged across all provinces from a minimum sample of 10% of office walk-ins and 50% PCDF stakeholders to be surveyed.	Achieved Customer satisfaction level survey reflects more than 96% satisfactions (1511 of 1572) and less than 5% complaints (3.8) were recorded and further at least 70% of PCDF (Provincial Construction Development Forum) attendees survey	
4.4	Customer relations and Provincial Offices efficiency and Management (Inclusive of outreach and visibility / communications of cidb cross programme initiatives	Provincial Construction Development fora(PCDFs)	Number of Provincial Construction Development Fora (PCDFs) held per province inviting provincial clients departments, associations and professional bodies.	Two (2) Provincial Construction Development Fora (PCDFs) per province inviting provincial clients departments, associations and professional bodies held by 31 March 2017, incorporating all 4 core cidb programmes capacitation issues	Achieved Two (2) Provincial Construction Development Fora (PCDFs) per province inviting provincial clients departments, associations and professional bodies held by 31 March 2017	

Annual Performance Plans

PROGRAMME 5: CEO'S OFFICE

Programme Purpose: Provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PROGRESS REPORT	DEVIATION
5.1	Transformed construction industry; Contractors	Enhanced Black-ownership	% of black-owned (50%+) and women-owned (30%+) GB and CE contractors; Grades 5 & 6, registered on cidb Register of Contractors	85% of GB and CE contractors; Grades 5 & 6, registered on cidb Register of Contractors are black-owned (50%+), as at end-March 2017	Achieved 86% or more of GB and CE contractors in Grades 5 & 6 registered on cidb Register of Contractors are black-owned (50%+), as at end-March 2017	Higher rate of industry transformation was achieved more than anticipated
			% of women-owned (30%+) GB and CE contractors in Grades 5 & 6 registered on cidb Register of Contractors	49% of GB and CE contractors; Grades 5 & 6, registered on cidb Register of Contractors are women-owned (30%+), as at end-March 2017	Not Achieved 44% of GB and CE contractors in Grades 5 & 6 are women-owned (30%+), as at end-March 2017	Slower rate of industry transformation than anticipated, due to, amongst others, slow-down in economy and deteriorating business conditions
			% of black-owned (50%+) and women-owned (30%+) GB and CE contractors; Grades 7 & 8, registered on cidb Register of Contractors	68% of GB and CE contractors; Grades 7 & 8, registered on cidb Register of Contractors are black-owned (50%+) and women-owned (30%+), as at end-March 2017	Achieved 68% or more of GB and CE contractors in Grades 7 & 8 registered on cidb Register of Contractors are black-owned (50%+), as at end-March 2017	

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PROGRAMME 5: CEO'S OFFICE (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PROGRESS REPORT	DEVIATION
5.1	Transformed construction industry; Contractors	Enhanced Black-ownership	% of women-owned (30%+) GB and CE contractors in Grades 7 & 8 registered on cidb Register of Contractors	40% of GB and CE contractors; Grades 7 & 8, registered on cidb Register of Contractors are women-owned (30%+), as at end-March 2017	Not Achieved: 39.3% of GB and CE contractors in Grades 7 & 8 are women-owned (30%+), as at end-March 2017	Slower rate of industry transformation than anticipated, due to, amongst others, slow-down in economy and deteriorating business conditions
			% of black-owned (50%+) and women-owned (30%+) GB and CE contractors; Grade 9, registered on cidb Register of Contractors	31% of GB and CE contractors; Grade 9, registered on cidb Register of Contractors are black-owned (50%+), as at end-March 2017	Achieved 31% or more of GB and CE contractors in Grades 9 registered on cidb Register of Contractors are black-owned (50%+), as at end-March 2017	
			% of women-owned (30%+) GB and CE contractors in Grade 9 registered on cidb Register of Contractors	20% of GB and CE contractors; Grade 9, registered on cidb Register of Contractors are women-owned (30%+), as at end-March 2017	Achieved 20% or more of GB and CE contractors in Grade 9 registered on cidb Register of Contractors are women-owned (30%+), as at end-March 2017	

Annual Performance Plans

PROGRAMME 5: CEO'S OFFICE (CONTINUED)

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PROGRESS REPORT	DEVIATION
5.2	Development of procurement instruments to enhance transformation	Procurement model for limited tender opportunities	No. of Feasibility report with go/no-go assessment of procurement model for limited tender opportunities submitted to Exco	1 x Feasibility report with go/no-go assessment of procurement model for limited tender opportunities submitted to Exco for noting by end March 2017	Achieved 1 x Feasibility report with go/no-go assessment of procurement model for limited tender opportunities submitted to Exco Secretariat on 29 March 2017	
5.3	Improve and maintain stakeholder relationship	Stakeholder Engagement Model	No. of stakeholder engagement model submitted to Board for approval	1 x Report on Pre-determined stakeholder engagement outcomes approved by Board for NSF and PSLMs by end-March 2017	Achieved. The National Stakeholder Forum Report was approved by the Board on 28 November 2016.	
5.4	Improved dispute resolution	Review of recommendations for an Industry Ombudsman	Number of Report on re-evaluation of Industry Ombudsman	1 * Report on re-evaluation of an industry Ombudsman submitted to cidb Exco for noting by end-December 2016.	Achieved 1 * Report on re-evaluation of an industry Ombudsman submitted by email to cidb Exco Secretariat for noting on 21 September 2016	

Annual Performance Plans

PROGRAMME 6: CORPORATE SERVICES

Programme purpose: Promote an optimal organisational culture that supports the effective delivery of the mandate

NO	STRATEGIC OBJECTIVE	OUTPUT	PERFORMANCE INDICATOR	ANNUAL TARGETS	PROGRESS REPORT	DEVIATION
6.1	Promote a learning organisation	Training & Career Development Policy	Monitoring the implementation of the cidb Training and career development policy	Monitoring and review of the cidb Training & Career Development Policy by June 2016	Achieved On-going monitoring of policy implementation. Bursary awards limits were reviewed effective January 2017. Bursaries for the January 2017 academic year were awarded in-line with the policy.	
		Allocation of training budget	Equitable distribution of the training budget in terms of Programmes	Allocation of a centralised budget by 1 Apr 2016	Achieved The budget is centralised according to Programmes since 1 Apr 2016	
		Turnaround Strategy to respond to Culture Survey	Annual review of strategy to respond to the culture survey results	Annual review of the strategy by end-June 2016	Achieved The current review of the strategy is completed and responding to both the culture survey, impact and outcome based strategy and organisational architecture results / recommendations	

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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