



ANNUAL REPORT 2019/2020



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



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**GENERAL
OVERVIEW**

GLOSSARY OF TERMS

ACRONYMS

APP	Annual Performance Plan
B-BBEE	Broad-based black economic empowerment
CDP	Contractor development programme
CE	Civil engineering
CEO	Chief Executive Officer
CFO	Chief Financial Officer
cidb	Construction Development Industry Board
CIO	Chief Information Officer
CGFCF	Construction gross fixed capital formation
CVA	Construction Value Added
DPWI	Department of Public Works and Infrastructure
EB	Electrical engineering (building)
EP	Electrical engineering (infrastructure)
GB	General building
GFCF	Gross fixed capital formation
GRAP	Generally Recognised Accounting Practice
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards of Auditing
ME	Mechanical engineering
NEHAWU	National Education, Health and Allied Workers' Union
NSF	National Stakeholder Forum
PAA	Public Audit Act
PFMA	Public Finance Management Act
PSP	Professional service provider
SABS	South African Bureau of Standards
SCM	Supply chain management
SIU	Special Investigations Unit
SW	Specialist works
TVET	Technical and vocational education and training



Accelerated development is imperative to South Africa's wellbeing and the cidb's vision of an inclusive and transformed society has never been more crucial.

Patricia de Lille



economic growth. Both documents are aligned to the sixth dispensation's key national priorities, which flag infrastructure delivery as a catalyst for job creation, skills development and poverty reduction.

At the fore of the cidb's efforts to fulfil its mandate are the Register of Contractors (RoC) and Register of Projects (RoP), both essential to the sector's professionalism and performance. However, refinements are needed in both areas before full potential is realised. The RoC, in particular, has been the focus of attention at several meetings of the legislated National Stakeholder Forum (NSF).

I have requested that the cidb propose clear solutions to resolve issues raised by stakeholders through the NSF and devise action plans with names and dates.

Accelerated development is imperative to South Africa's wellbeing and the cidb's vision of an inclusive and transformed society has never been more crucial. The RoC is one vehicle to achieve this.

To prepare the organisation for what lies ahead and empower it to regulate more effectively, my department is fast-tracking the review of the CIDB Act, which will produce a piece of legislation tailored more keenly to empowerment of emerging contractors, contractor ownership by designated groups, development of enterprises and their integration into the mainstream economy, and compliance enforcement, an area in which the cidb is somewhat constrained.

In our discussions, the cidb has voiced its commitment to supporting the DPWI in, for example, the implementation of the Expanded Public Works Programme (EPWP), which must be embedded in built environment departments across all spheres of government, and in other public employment programmes.

Working in this spirit of cooperation will, I believe, take us to the transformed and professional construction industry our country needs as its economic backbone.

P. de Lille

PATRICIA DE LILLE

MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE

MINISTER'S FOREWORD

As the government's implementation body in the economically crucial construction sector, the Construction Industry Development Board (cidb) needs the expertise and tools to ensure that the sector delivers meaningful transformation and growth.

Since my appointment to the Department of Public Works and Infrastructure (DPWI) at the end of May 2019, I have monitored the cidb's activities as its executive authority. Engagements during 2019/20 bode well for a good work relationship between my department, and the organisation's Board members and executives. These interactions have indicated to me that the solid foundation the cidb has built over two decades, and the structural and strategic changes it is currently implementing, will equip it well for the extraordinary challenges the construction industry faces, demanding before Covid-19, but truly daunting post-virus.

This is most reassuring because now, more than ever, all players in the DPWI scope have to bank the gains of recent years and deploy their resources with greater determination than ever, not only to address the shortcomings of their industries and enable them to be more responsive to their economic imperatives, but to make up time and resources lost to the pandemic.

In developing its Strategic Plan 2020 to 2025 and Annual Performance Plan (APP) 2020/21, I am encouraged to note that the cidb Board was guided by the need for integrated planning with the DPWI to achieve infrastructure-led





CHAIRPERSON'S REPORT

Thoughts of how the cidb could assist to counter the gloom and despondency prevailing in the construction sector and contribute to the country's drive to get the economy going again were forced into the background as Covid-19, the ultimate disruptor, upended our game plan.

At the start of the financial year in review, there was some optimism delivered by a 2.3% uptick in construction activity as a result of government's infrastructure spending plans.

In February 2020, already having given the country hope through the R400 billion infrastructure fund, President Cyril Ramaphosa again took to the State of the Nation Address podium and promised an imminent revival of construction through plans that included the building of 37 000 low-income rental apartments and a R64 billion investment in student accommodation.

These plans are anticipated to contribute towards getting the economy going again through infrastructure development.

'The cranes and yellow equipment that we have longed to see across the landscape of our country will once again soon be an everyday sight,' the President stated.

Covid-19 made its unexpected entrance when the R855 billion projected to be spent on infrastructure over the medium-term expenditure framework period had already been revised downwards to R815 billion.



The cidb continues to play an integral role in transforming the construction sector, recording several achievements during the year under review. Among these achievements was the increase in tender value limits, which together with the downgrading moratorium, now allows contractors to participate in contracts of higher values than were applicable prior to these interventions by the cidb.

Mboniseni Dlamini



Data and analytics company GlobalData soon adjusted its 2020 construction output growth forecast for sub-Saharan Africa to 3.6%, down from the 6% mooted in the fourth quarter of 2019. GlobalData further projected that construction output for South Africa in 2020 would shrink by 4.1%, with Covid-19 compounding the already low levels of infrastructure spending amid a depressed economy.

The cidb continues to play an integral role in transforming the construction sector, recording several achievements during the year under review. Among these achievements was the increase in tender value limits, which together with the downgrading moratorium now allows contractors to participate in contracts of higher values than were applicable prior to these interventions by the cidb. In addition, the cidb Standard for Uniformity guides clients on the improved application of functionality in procurement to ease the requirements that were limiting the participation of emerging contractors, whilst ensuring effective infrastructure delivery.

Key appointments

In last year's annual report, the chairperson alluded to the need for action to fill the void at executive level of the organisation in order to effect accountability for the execution of the cidb's mandate.

By 2019/20 year-end, the Board had appointed a permanent Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Information Officer (CIO), ending five years of acting capacity appointments in these positions of the organisation.

These placements were part of the implementation of the organisational redesign, whose priority is to elevate the cidb's performance and effectiveness towards achieving sector transformation, development, regulation and partnerships.

The Board has further committed to adopt digital technology as the tool to enhance organisational performance.

The cidb will continue with the modernisation of technological platforms to accommodate automation of tasks, reduce fraud and improve customer service.

Through the organisational design project, the Board is now realistically envisaging a clean audit outcome from the Auditor-General going forward, after many years of achieving unqualified audit opinions. The Board will continue to steer the organisation towards achieving this outcome.

Acknowledgements

It was an honour to welcome Minister Patricia de Lille into our world this year and we thank her for her interest in our activities and plans, and her willingness to give guidance and support where needed.

We acknowledge the support of the DPWI team. Its valuable advice enables the cidb to better deliver on its mandate.

We thank the members of the cidb National Stakeholder Forum (NSF) for maintaining their resolve in addressing crucial industry issues and guiding the cidb to enhance its determination to address the issues of the construction industry.

We acknowledge, too, the contribution of the National Education, Health and Allied Workers Union (NEHAWU) to the success of the organisational design project, where, as part of the placement and appeals committees, its officials ensured that employees were well represented and their interests met. This collaboration resulted in a smooth transition from the old to the new structure.

Our thanks also go to the CEO, Cyril Gamede, supported by his capable team at all levels of the organisation, for enhancing the performance of the cidb.

In addition to providing all-important context and direction for the day-to-day operations of the cidb, in a year that delivered the unexpected, Board members, individually and collectively, never lost sight of their fiduciary duties and the need to keep the cidb on the right course for the good of the construction sector and all its participants.

As South Africa faced one of its greatest tests of resilience due to the Covid-19 pandemic, we were all called upon to subscribe to an almost wholesale shutdown of the economy. I was heartened by the cooperative attitude of all staff, business partners and stakeholders in general.

The quick adaptation of the cidb and its constituents to the new normal of business conducted largely in a virtual setting helped to maintain enthusiasm in and dedication to the shared goal of a performance-driven and prosperous construction sector.



MBHONISENI DLAMINI
DEPUTY CHAIRPERSON

BOARD MEMBERS



BOARD CHAIRPERSON
Nonkululeko Sindane
(resigned 27 August 2020)



DEPUTY CHAIRPERSON
Mboniseni Dlamini



CEO
Cyril Vuyani Gamede



BOARD MEMBER
Lufuno Nevhutalu



BOARD MEMBER
Dr Natalie Skeepers



BOARD MEMBER
Denzel Maduray



BOARD MEMBER
Siphosiso Mosai



BOARD MEMBER
Kennedy Maimela



BOARD MEMBER
Malebo Matlong



BOARD MEMBER
Danny Masimene



BOARD MEMBER
Eric Manchidi



BOARD MEMBER
Bongekile Zulu



BOARD MEMBER
Mpendulo Ndlazi



BOARD MEMBER
Thuthuka Songelwa



CEO's REPORT

The annual report is among our most important communications to stakeholders because, although it touches on what is going to happen in the future, its real function is to tell of our achievements and progress in making the sector a better place for all participants.

In the life of any organisation involved in regulation and promotion of professionalism in a sector, statistics and details of successful interventions serve to reassure constituents that public funds are being used wisely.

I had occupied the CEO's office for barely three months at the financial year-end, but I had learnt much about the workings of the organisation and about the people whose knowhow keeps the essential systems ticking over and whose ingenuity allows the cidb to innovate and improvise, without compromising, when the situation demands it.

This report does not gloss over the challenges and impediments we faced during the review year, but it presents a true and accurate account of another worthwhile period in the life of the cidb. I am proud to sign my name to it.

Vital mandate

Not only has the cidb had to execute a vital mandate, but it has had to do so with a succession of acting CEOs. No organisation in this state of flux can be authoritative and accountable, while remaining accessible to those whose interests it serves and providing meaningful assistance to enterprises that must comply with its regulations and

standards.

My decision to apply for the CEO position was prompted by a belief that the skills I had amassed over many years in the industry, in both the private and public sectors, would allow me to contribute to the growth of the cidb by building on the good work that has already been done and lifting the organisation out of its rut in certain respects.

I came into the job believing it crucial to fill all executive positions without delay, appointing individuals on ability, not influence or popularity, and bringing in the right talent to match the revised organisational structure's specifications, rather than tailoring specification to individuals.

We now have most top managers in place and the benefits are starting to be felt.

The lack of a permanent office was a priority, with the organisation having lived a month-to-month rental existence since its lease with the South African Bureau of Standards expired in 2018. I'm pleased to report that premises have been secured in Centurion and we will be moving across in the next financial year. The search for suitable provincial offices is well underway, as the cidb has in many regions merely shared office space with other entities.

The information technology infrastructure, another of my immediate concerns, has come a long way in recent months and is shaking off its initial start-up issues to deliver on its promise of a wholly integrated enterprise resource, customer relations and financial management system that is reliable and efficient.

Performance highlights

During 2019/20, the cidb acquitted itself well against the final targets of its outgoing five-year strategy, improving on the achievements of 2018/19 at almost every turn. It ended the year having met 77% of its strategic objectives, compared to a lowly 50% in the previous year. And that with 11 more targets than in 2018/19. The target shortfalls were the result mainly of information and communications technology (ICT) system issues, which are to be expected when migrating an entire system to the cloud and introducing a new financial operations function.

Particularly pleasing statistics in our performance information at the end of this report are the more than R4 million invested in skills support and the R16 million spent on contractor development. In addition, 89.3% was recorded for provincial business advisory services provided to contractors at grades 2 to 6 index against a target of 75%, and supply chain management (SCM) efficiencies were up from 77.5% to 88%.

As we plan for the next five years, the new strategic plan for 2020 to 2025, signed off in January this year, will be the perfect structure to take us back to legislative basics.

Strategic plan

The plan contains a target by 2025 of 75% black ownership of contractors in grades 7 to 9, from a baseline of 67%, and seeks to increase access to work for black-owned enterprises from 58% to 70%. The number of women-owned contractors will be increased from 30% to 40%, with access to work

rising to 35% from 24%. However, these figures may need to be revised in the light of the effects of business disruptions due to Covid-19.

Accelerated development of established and emerging contractors will be prioritised, through partnerships with our clients, and we will work with our client departments to improve infrastructure expenditure and create a performance-driven culture.

We will also uphold our zero-tolerance approach to non-compliance and fraud by contractors and clients, and within our own ranks. The move to total automation of registration processes will help to remove opportunities for fraud and corruption.

As mentioned by the Deputy Chairperson, we now have the perfect organisational structure to achieve the ambitious targets contained in the new plan.

The structure has doubled in size and it will be populated in phases over time in line with available budget. Even at the best of times, budget, as we all know, does not keep pace with the shopping list. With Covid-19 in the mix, funds available have actually decreased, as the Deputy Chairperson noted.

Regulation and development

In the coming years, we will need to concentrate fully on our legislated roles, which, simply, are regulation and development. We have to acknowledge what we can do as a development board and where our hands are tied, because we're in the ironic situation of being both enabled and curtailed by our governing legislation.

We eagerly await the new CIDB Act for these reasons, and also because our current legislation is seriously outdated and does not address issues and needs that have accompanied the evolution of the sector over 20 years. The sanction for contravening regulations, for example, is R100 000, which is not an effective nor efficient deterrent, especially for higher grade contractors with deeper pockets and for clients.

Another bone of contention, albeit outside the legislation, is the Tirisano Construction Fund, established to administer distribution of the R1.5 billion in fines collected from delinquent contractors found guilty of collusion from 2006 to 2011. While the cidb monitors implementation of the Tirisano Construction Fund, it is not a trustee and has no say in decisions of how funds are spent. Currently, contractors feel they derive no benefit from the Fund. We hope this will be rectified soon.

Appreciation

We are in the fortunate position of having individuals at the helm for whom serving on the Board is not just another duty in a busy work week. They are totally committed to the sector, having served it for many years in their professional capacities. The achievements you read about in this annual report are largely the products of their expertise and foresight, and of their ability to transfer their enthusiasm for the tasks we must tackle to the cidb team. I thank the Chairperson, Nonkululeko Sindane, for leading the Board

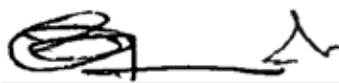
with such fervour since 2018, and the members for always keeping the needs of the cidb and construction top of mind. The chairpersons of board committees have also played a vital role in leading strategic initiatives successfully.

In the short time I have had to become acquainted with cidb staff, I have found all to be hardworking and diligent, with the best interests of the organisation and the sector at heart. I thank them for welcoming me into the fold and for showing me how things are done here. I am confident that ours will be a cohesive, high-performance team.

During the year to come, I will introduce myself to more stakeholders – social distancing protocols respected of course – to obtain a deeper understanding of what they expect of us and how we can work together to strengthen the sector.

Moving into 2020/21 and beyond, we will continue to embed in all activities our stated values – to be responsive, efficient, effective, innovative, ethical, accessible and agile. To that, I add 'accountable', one of the most important words in my personal and professional vocabulary.

South Africa needs accountability as never before. It must become the norm. On my watch, it will certainly be for the cidb, whose success in satisfying stakeholder expectations of industry regulation, contractor development and transformation is entirely dependent on capable people who are prepared to account for their actions and decisions.



CYRIL GAMEDE
CHIEF EXECUTIVE OFFICER



Particularly pleasing statistics are the more than R4 million invested in skills support and the R16 million spent on contractor development.

**Strategic Plan 2020 to 2025 outcome:
Developed contractors**





**PUBLIC
SECTOR
PROCUREMENT
REFORM**

PUBLIC SECTOR PROCUREMENT REFORM

CONSTRUCTION INDUSTRY REGULATION

A core element of the cidb mandate is developing and overseeing the implementation of frameworks for construction industry regulation.

The Construction Registers Service comprises the RoC and RoP established by the CIDB Act (Act 38 of 2000). The RoC, which grades and categorises contractors on financial and works capabilities, is mandatory for contractors wishing to do business with the government and for public sector clients awarding construction works tenders. It facilitates public sector procurement and promotes contractor development.

By end-March 2020, there were 56 653 contractors on the RoC, with 2 980 having been processed for upgrades – 1 954 applying to move from Grade 1 and 1 026 to progress from a grade between 2 and 8.

About 83% of RoC registrations are at Grade 1, an increase of almost 3 500 from 2018/19, indicating the enduring and increasing appeal of the industry for those seeking a career, but who often lack construction skills and experience.

Grading designation	Number of contractors
1	47 077
2	3 102
3	1 398
4	1 421
5	1 089
6	1 346
7	801
8	333
9	86
Total:	56 653

Downgrading moratorium

During the review year, more than 3 300 contractors across grades and classes benefitted from the moratorium on downgrading, which was introduced in 2016/17 to provide relief to contractors in a tough, ultra-competitive economy.

Grading designation	Number of beneficiaries
2	796
3	455
4	534
5	390
6	558
7	378
8	180
9	48
Total:	3 348

Tender values

The Construction Industry Development (CID) Regulations empower the Minister of Public Works and Infrastructure to set tender values that determine the range of contracts that contractors are considered capable of doing.

Inflation makes it necessary to adjust these tender values periodically. The latest adjustments came into effect on 7 October 2019, following public comment. Unlike previously, registration criteria qualifying values were not affected.

The table on the next page details the new tender value ranges and the associated registration criteria qualifying values.

Grading designation	New tender value limit (effective 7 October 2019)	Best annual turnover	Largest contract	Available capital
1	R500 000	R-	R-	R-
2	R1 000 000	R-	R130 000	R-
3	R3 000 000	R1 000 000	R450 000	R100 000
4	R6 000 000	R2 000 000	R900 000	R200 000
5	R10 000 000	R3 250 000	R1 500 000	R650 000
6	R20 000 000	R6 500 000	R3 000 000	R1 300 000
7	R60 000 000	R20 000 000	R9 000 000	R4 000 000
8	R200 000 000	R65 000 000	R30 000 000	R13 000 000
9	No limit	R200 000 000	R90 000 000	R40 000 000

Register of Contractors

Amending RoC criteria remains a priority. Consultations were held with clients and industry associations, namely the Black Business Council in the Built Environment, Master Builders South Africa and Consulting Engineers South Africa, early in the review year, following discussions with contractors and professional service providers towards the end of 2018/19.

Provincial stakeholders will be consulted during 2020/21.

The following grading criteria have been assessed:

- Financial and performance criteria
- A possible increase in the number of registration grades to close the perceived gap between grades 7 and 9
- Classes of work
- Registration fees: Differentiated higher fees for foreign firms
- Transfer of records
- Labour-only track record
- Trade contractors
- Downgrading
- Tender value limit adjustments
- Grade 1 entry-level requirements
- Registration of subcontractors
- Broad-based black economic empowerment (B-BBEE) scorecard
- Joint ventures
- Demographic representation

Registrations processing

The cidb is committed to reduced registration turnaround times and to efficient electronic updating of contractor details and annual renewals to ease the administrative burden.

Turnaround of contractor applications during 2019/20 lengthened due to the migration of the information technology system from December 2019. However, 78 622 grades 1 to 9 applications were activated, 66 513 of which

were processed within 21 working days, an 87% achievement against the target agreed with DPWI.

Work continued on the customer relationship management (CRM) system, including:

- Improving the online service that was temporarily suspended as a result of the upgrade.
- Achieving quicker turnaround on three-year renewal applications.

Register of Projects

The RoP holds information on the nature, value and distribution of projects, and drives performance improvement through the Best Practice Project Assessment Scheme. Public sector clients must register projects from R200 000, while private sector clients and large state-owned entities register those worth R10 million and higher.

Among its indicators are the number of tender notices recorded on the cidb i-tender and contract awards noted on the RoP. There were over 450 more awards registered than in 2018/19, with heightened project activity particularly from provincial departments and state-owned enterprises.

Client type	Number of awards registered
District municipality	29
Local municipality	422
Metropolitan municipality	114
Municipal entity	27
National department	130
Other	60
Private sector	-
Provincial department	937
State-owned enterprise	447

Total: 2 166

Compliance with the i-tender and RoP remains disappointing, although the cidb offers ongoing capacitation to clients to compensate for the high turnover of supply chain

management staff. Lack of compliance by clients is addressed through one-on-one interactions and is expected to improve with the advent of a cidb compliance department.

Public sector project compliance: March 2018 to March 2020

Provincial departments	Non-compliant	Compliant	Total	Compliance
Eastern Cape	122	63	185	34%
Free State	34	19	53	36%
Gauteng	72	2	74	3%
KwaZulu-Natal	964	489	1 453	34%
Limpopo	83	19	102	19%
Mpumalanga	78	19	97	20%
North West	155	42	197	21%
Northern Cape	40	100	140	71%
Western Cape	144	247	391	63%
Total	1 692	1 000	2 692	37%
Metropolitan municipalities				
Eastern Cape	39	18	57	32%
Free State	21	33	54	61%
Gauteng	59	14	73	19%
KwaZulu-Natal	392	1	393	-
Limpopo	-	-	-	-
Mpumalanga	-	-	-	-
North West	-	-	-	-
Northern Cape	-	-	-	-
Western Cape	116	68	184	37%
Total	627	134	761	18%
Municipal entities				
Eastern Cape	11	3	14	21%
Free State	-	-	-	-
Gauteng	93	29	122	24%
KwaZulu-Natal	-	-	-	-
Limpopo	-	-	-	-
Mpumalanga	-	-	-	-
North West	-	-	-	-
Northern Cape	-	-	-	-
Western Cape	-	-	-	-
Total	104	32	136	24%
National departments	417	232	649	36%
State-owned entities	1 767	424	2 191	19%
District municipalities	354	428	74	17%
Local municipalities	2 310	591	2 901	20%
Total compliance	7 271	2 487	9 758	25%

INVESTIGATING NON-COMPLIANCE

The cidb conducts inquiries into breaches of the CID Regulations and Code of Conduct and undertakes investigations in terms of Regulation 28 should it receive a complaint that an entity has acted contrary to or has not complied with the Code.

Once the cidb has verified its jurisdiction to investigate the complaint and established whether grounds exist to continue, a formal investigation is conducted and action taken in terms of Regulation 29.

Details of inquiry outcomes are communicated to affected parties, and published in the Government Gazette and on the cidb website.

Transgressions investigated include:

- Submission of fraudulent tax clearance certificates
- Falsified track records
- Misrepresentation of financial statements
- Fraudulent bank statements
- Employer non-compliance with the RoC

Investigations

Investigations at 31 March 2020 were as follows:

	Case status	Number of cases
Complaints received		68
Cases closed after preliminary investigation		26
Cases pending outcome of investigation		28
Investigations finalised and recommended for hearings		5
Hearings completed, with 'guilty' outcome		9
Postponed hearings		-

SIU investigations

The Special Investigating Unit (SIU) is mandated by Proclamation No R19 of 2016 to investigate cidb-related fraud and corruption.

The SIU has submitted 54 cases to the cidb for further investigation in terms of Regulation 28(10).

SIU investigations at 31 March 2020 were as follows:

	Case status	Number of cases
Number of cases brought forward		63
Number of cases finalised by the cidb		22
Number of cases referred back to SIU for further investigation		-
Number of cases pending court application		3
Number of investigations finalised by the cidb with recommendations of no action		6
Number of cases pending cidb formal inquiry		32

Investigations from the cidb fraud hotline are as follow:

cidb investigations:

A total of 68 cases was reported in the financial year ended March 2020, of which:

- 15 were cases whose investigations were not finalised in the year ended March 2019.
- 53 were new cases reported.
- 13 were investigated and completed.

Fifty-two are cases whose investigation was not completed and 13 are cases that were investigated and finalised.

Formal inquiries:

Thirteen cases underwent formal inquiry in the year ended March 2020, of which:

- Three are pending, with formal inquiries not completed due to postponements.
- 11 respondents were found guilty after formal inquiries. All guilty findings were gazetted and published on the cidb website.
- Two respondents were not found guilty.



“

We will uphold our zero-tolerance approach to non-compliance and fraud by contractors and clients, and within our own ranks. The move to total automation of registration processes will help to remove opportunities for fraud and corruption.

*Strategic Plan 2020 to 2025 outcome:
Reduced non-compliance and fraud*

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**STANDARDS
FOR
PERFORMANCE
IMPROVEMENT**

STANDARDS FOR PERFORMANCE IMPROVEMENT

CONTRACTOR DEVELOPMENT

The cidb Competence Standard for Contractors is part of the cidb Best Practice Contractor Recognition Scheme, whose objectives are to promote contractor development and enable state entities to manage risk on complex contracting strategies. The standard specifies minimum competencies required to run and manage a sustainable contracting enterprise at different cidb grading levels. Competencies are assessed through a guided interview pegged on equivalent qualifications on the National Qualifications Framework.

During the review year, the cidb conducted 66 assessments of contractors in contractor development programmes. Top-up training sessions were provided for those falling short of the cidb Competence Standard for Contractors. These sessions covered:

- building and construction legislation compliance
- tender preparation
- resource planning monitoring and management
- project programming and production processes
- technical planning
- health, safety and environment
- quality management
- business planning
- management.

By year-end, top-up training had been delivered in Free State and Limpopo, with sessions in other provinces scheduled for 2020/21.

With the Best Practice Fee on the brink of becoming cidb regulation, the suite of gazetted standards that constitute it is taking shape. Among those gazetted are the Standard for Indirect Targeting for Enterprise Development through Construction Works Contracts and the Standard for Developing Skills through Infrastructure Contracts.

The Standard for Indirect Targeting for Enterprise Development through Construction Works Contracts establishes contract participation goals for enterprise development of targeted enterprises. It requires the lead partner or main contractor to dedicate a minimum of 5% of total project value to developmental support for the targeted subcontractor or joint venture partner.

Implementation of the Standard in the public sector will see contracts worth R8 billion a year go to emerging enterprises, with around 1 000 contractors receiving developmental support annually.

The Standard for Developing Skills through Infrastructure Contracts will assist clients in providing workplace training with programmes that result in national accreditations.

By implementing this Standard, around 10% of the labour force on construction sites and in design offices will receive structured workplace skills training annually. On public sector contracts, this will result in around:

- R450 million spend on workplace training per year
- 10 000 learning opportunities per year for further education and training learners/artisans
- 1 500 learning opportunities for candidates.

During the review year, the cidb partnered with Ingquza Hills Local Municipality to support contractor development on its Small Town Revitalisation Project with the Office of the Premier Eastern Cape. The municipality provided work packages for 10 youth- and women-owned contractors, which will be working under the leadership of a main contractor. The cidb also conducted entry assessments of the learner contractors to assess and provide for their training and mentoring needs.

Negotiations are currently underway with the DPWI for the cidb to assess prior learning of and mentor 64 contractors involved in an EPWP project in North West.

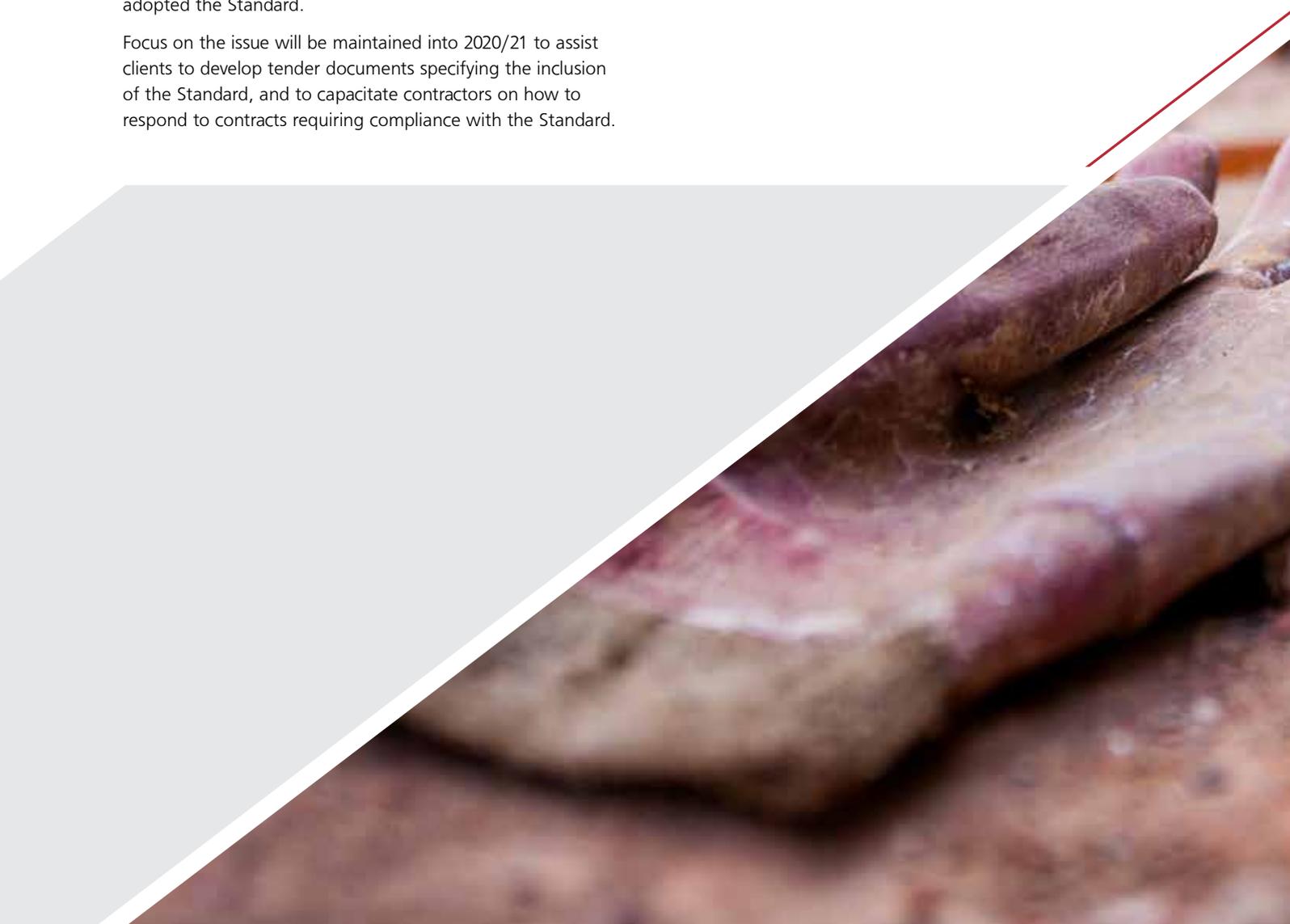
SKILLS FOR GROWTH

Initiatives to develop high-level construction skills include workplace training opportunities in infrastructure contracts, implementation of the cidb Standard for Developing Skills through Infrastructure Contracts, the WorldSkills project in partnership with technical and vocational education and training (TVET) colleges and the cidb Competence Standard for Contractors.

The cidb's partnership with Department of Higher Education and Training for the absorption of TVET college learners in its TVET expansion programme has placed 223 learners on three college construction and infrastructure maintenance projects, with more expected in the coming financial year.

The voluntary Standard for Developing Skills through Infrastructure Contracts, gazetted in August 2013, facilitates workplace training of youth and employees to nationally accredited training outcomes and makes on-the-job development of employees and absorption of learners contractual obligations on all public sector contracts. However, very few clients implement it, in spite of cidb's continued urging of public sector clients to include the Standard in their construction contracts. During the year under review, 310 learners were enrolled on projects that had adopted the Standard.

Focus on the issue will be maintained into 2020/21 to assist clients to develop tender documents specifying the inclusion of the Standard, and to capacitate contractors on how to respond to contracts requiring compliance with the Standard.







**MONITORING
INDUSTRY
PERFORMANCE**

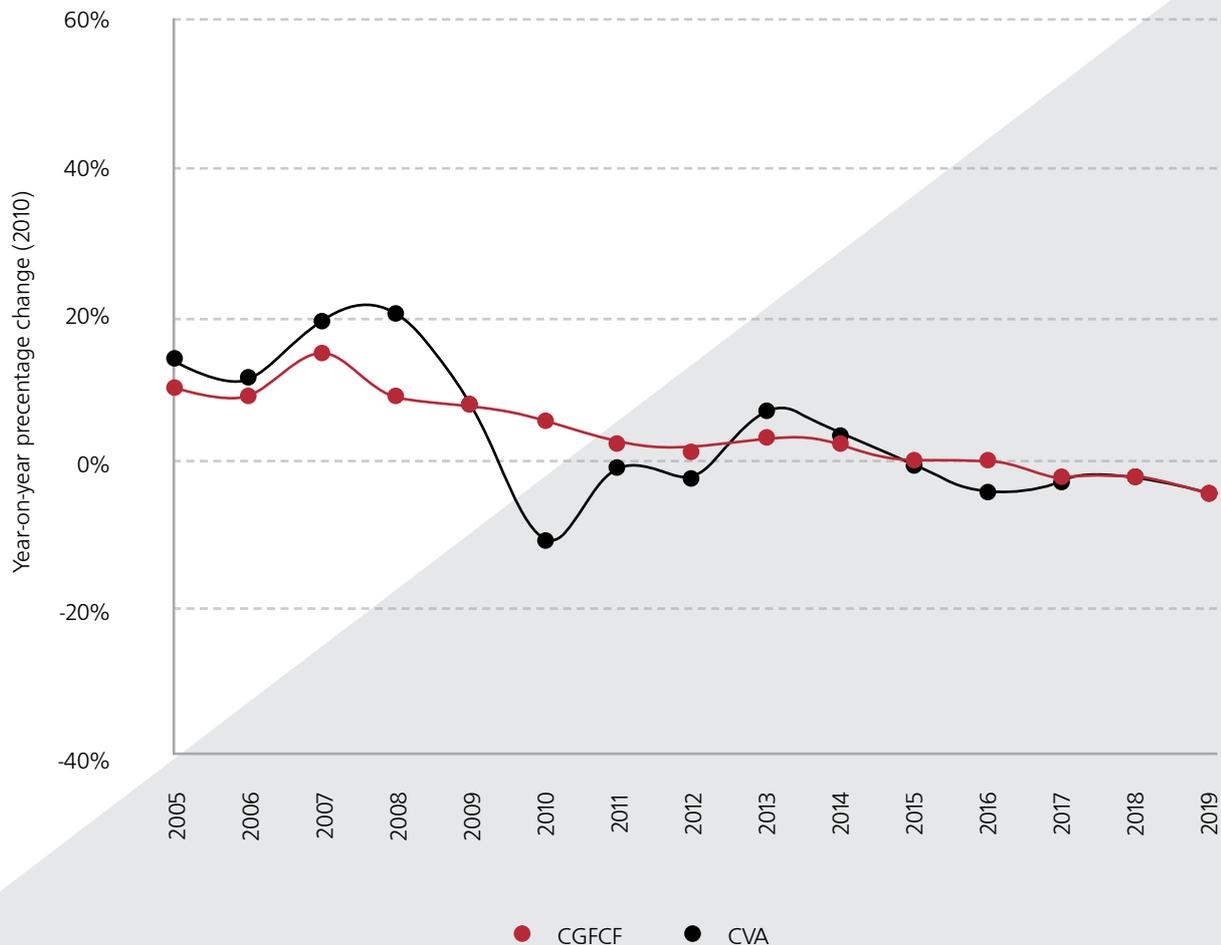
MONITORING INDUSTRY PERFORMANCE

CONSTRUCTION OUTPUT AND BUSINESS CONDITIONS

The construction sector accounts for around 4% of gross domestic product (GDP), a small contribution compared to sectors such as finance, government, trade and manufacturing. In 2019, the value added to GDP by construction was about R104 billion (real prices), with a year-on-year decrease of -3,23% – a decline of R3.5 billion,

according to Stats SA. Construction output/value added, which is a function of investment in the sector, has dropped in line with investment in residential and non-residential building, and civil works. As can be seen below, construction peaked at 16% in 2007, before the industry entered a downturn in 2008, recording its highest decline, -3.3%, in 2019.

Construction industry growth: 2010 to 2019



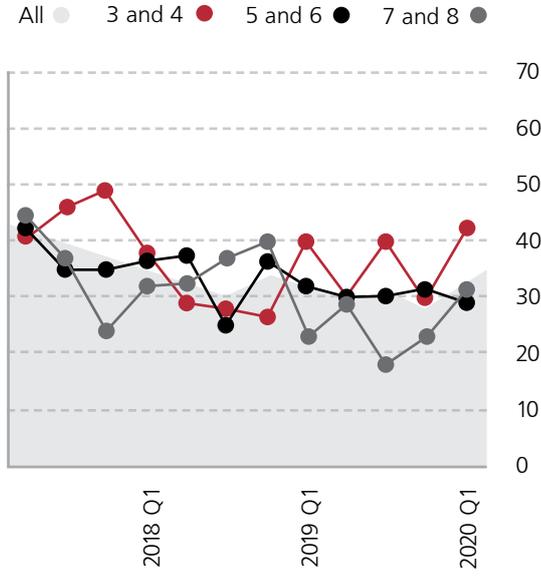
Construction industry challenges include negative or limited real growth in construction spend in the short- to medium-term. Perceptions of business confidence for grades 3 to 8 cidb-registered contractors are depicted on the next page.

In both general building (GB) and civil engineering (CE), business confidence is below 50%, reflecting an industry in distress. The lack of business confidence mirrors trends in construction spend.

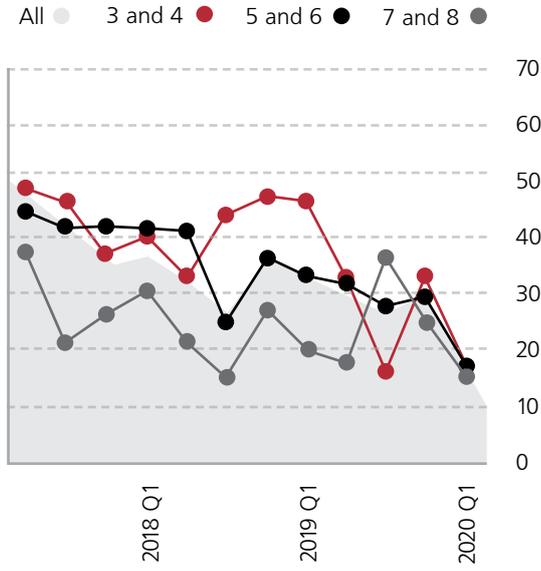
Business confidence index, cidb grades 3 to 8 contractors

BUSINESS CONFIDENCE

GB



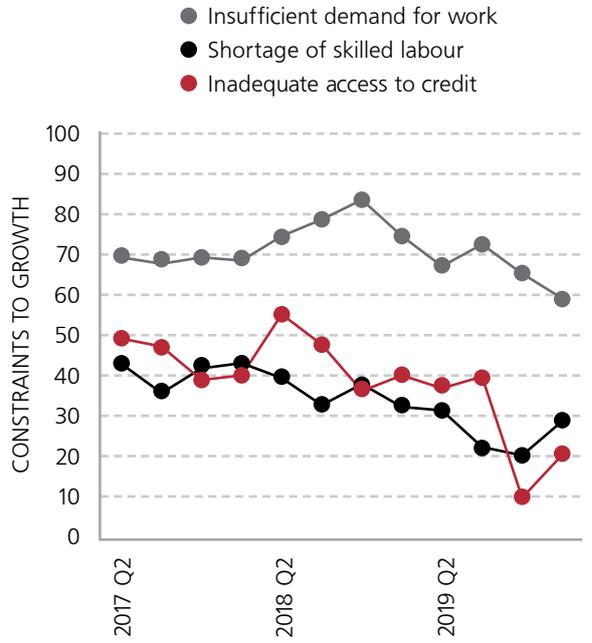
CE



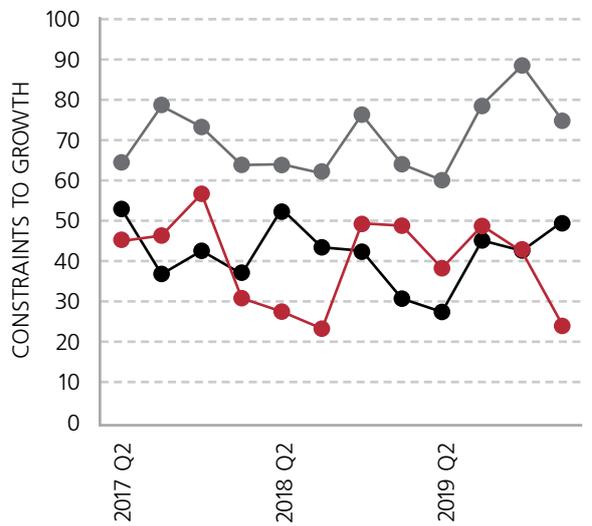
Below is an assessment of the constraints to growth in business experienced by grades 3 to 8 cidb-registered contractors. Lack of work opportunities is the highest constraint for both general building and civil engineering, followed by lack of access to skills and then to credit.

BUSINESS CONSTRAINTS, GRADES 3 AND 4

GB

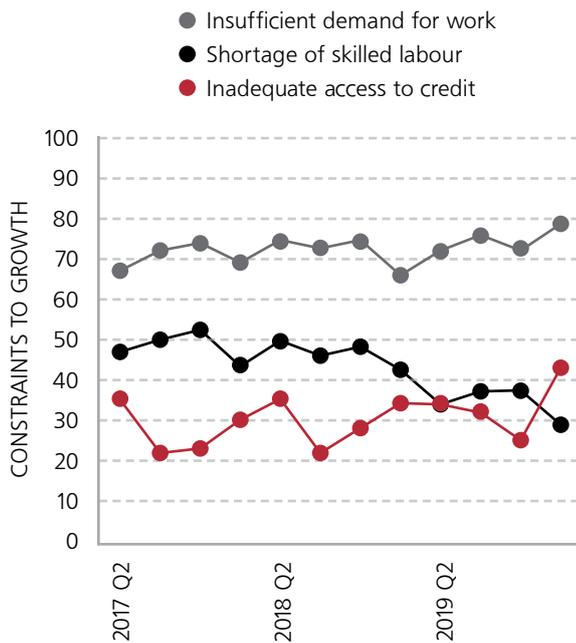


CE



BUSINESS CONSTRAINTS, GRADES 5 AND 6

GB

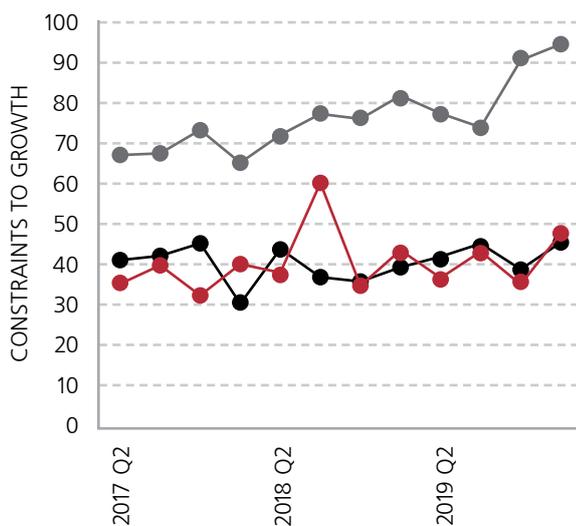


BUSINESS CONSTRAINTS, GRADES 7 AND 8

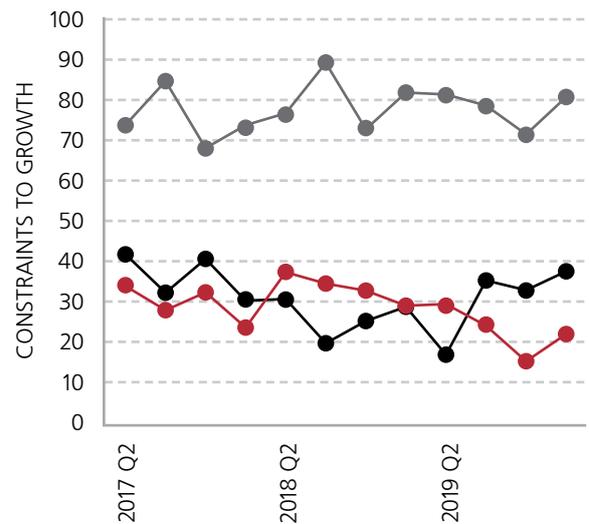
GB



CE



CE



Grades 3 and 4 cidb-registered contractors cite lack of access to credit a greater constraint than lack of access to skills – but still below lack of access to work opportunities. Access to credit is also increasing as a constraint among grades 5 and 6 contractors.

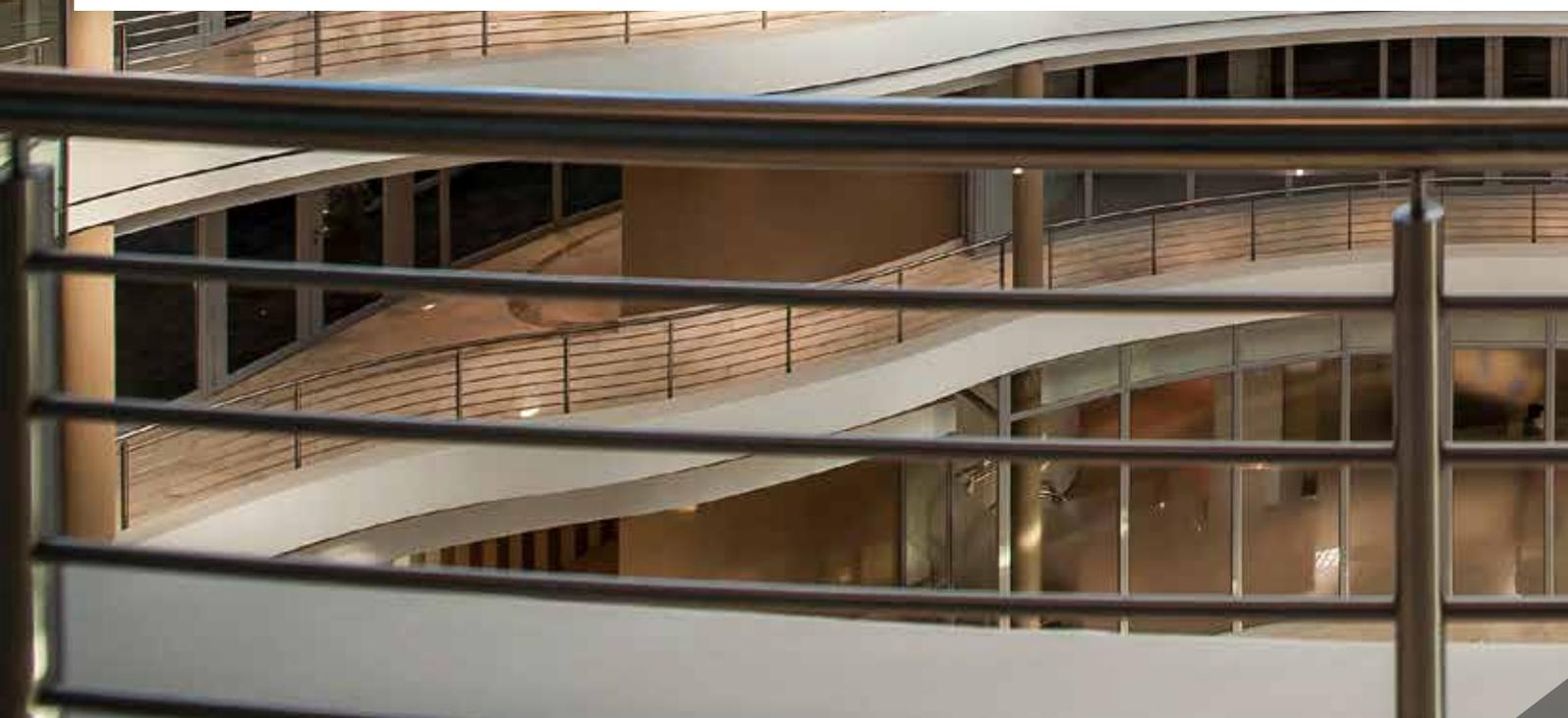
The slowdown in the construction economy is exacerbated by underspending of capital budgets, mainly municipal. Municipal underspending increased from around R13 billion in 2017/18 to R19 billion in 2018/19, R8 billion of which was by metros. Only City of Ekurhuleni and City of Johannesburg spent above 80% of their capital budgets, while the balance spent between 61% and 74%. The overall spend for metros in 2018/19 was 73%, a minor improvement over the previous year's 72%.

In 2018/19, 222 (86%) of municipalities spent less than 100% of their capital budgets, with 30 (12%) spending less than 40%, 41 spending between 40% and 60%, 87 between 60% and 80% and 64 between 80% and 100%. Thirty-three municipalities overspent between 100% and 150% and seven by more than 200%.

In Gauteng, 55% of municipalities spent less than 80% of their capital budget, with average spend for the province 85%. In Eastern Cape, 72% of municipalities spent less than 80% of their capital budgets, recording an average spend of 65%, with the figures for Western Cape and KwaZulu-Natal 53% and 74%, and 61% and 72% respectively.

Performance of municipalities on spending capital budgets

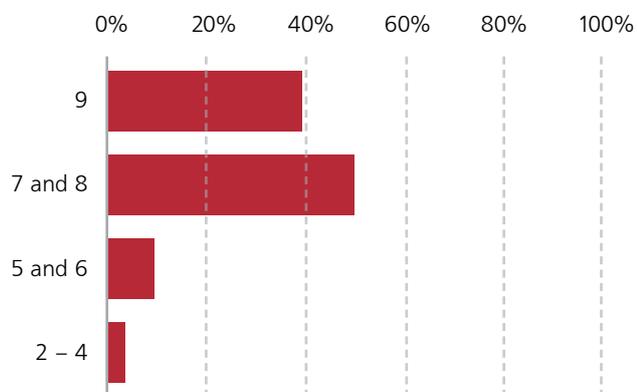
Indicator	2016/17	2017/18	2018/19
Budgeted capital expenditure (Rm)	68 849	71 381	73 563
Actual capital expenditure (Rm)	53 892	58 756	54 887
Actual capital expenditure as a % of budgeted capital expenditure	78%	82%	75%
Number of metros, municipalities and district municipalities	257	257	257
Those spending less than budget			
Less than 100%	225	226	222
Less than 80%	147	167	158
Less than 60%	64	74	71
Less than 40%	30	30	30
Those spending more than budget			
Greater than 100%	29	29	33
Greater than 150%	6	5	11
Greater than 200%	2	5	7
Greater than 300%	2	5	3
Less than 40%	30	30	30
Between 40% and 60%	35	51	41
Between 60% and 80%	91	94	87
Between 80% and 100%	72	53	64
Between 100% and 150%	23	24	24
Between 150% and 200%	4	-	4
200% and above	2	5	7



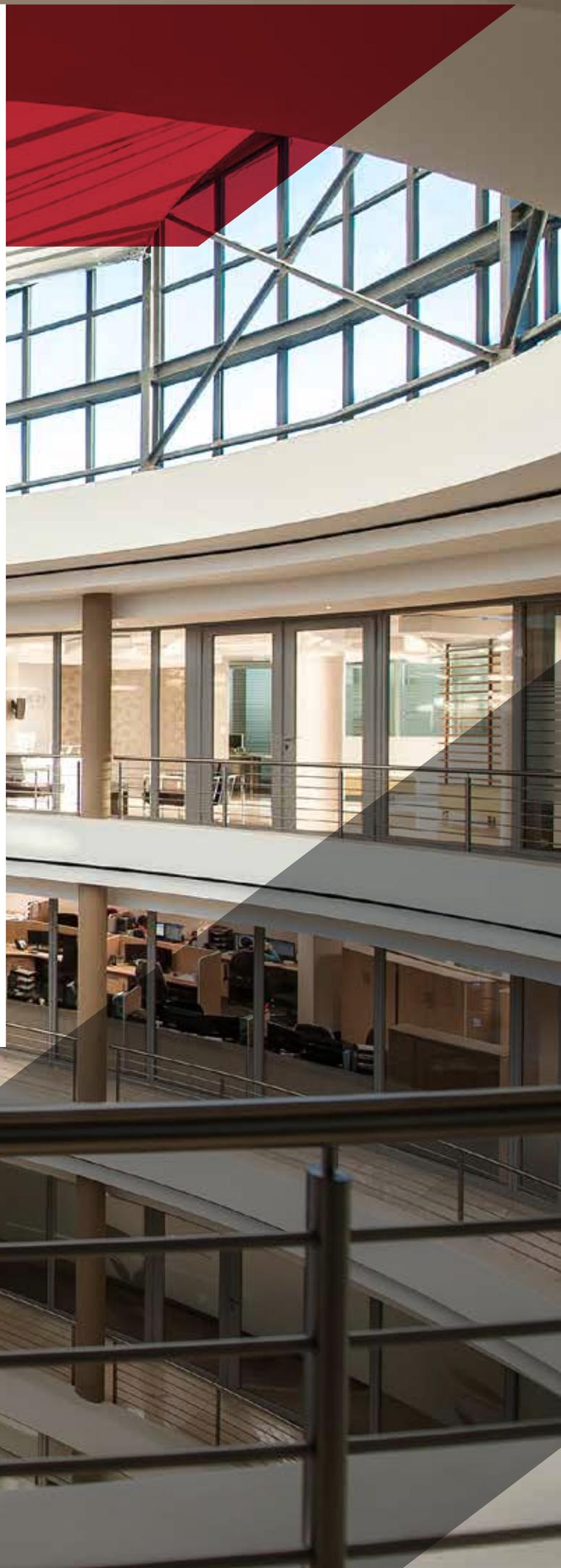
The graph below shows the distribution of public sector contracts in South Africa during 2019/20 for grades 2 to 9 contractors, with around 87% of public sector awards by value being in tender grades 7 to 9 in all classes of works.

**DEMAND: PUBLIC SECTOR AWARDS
(% DISTRIBUTION BY VALUE) 2019 Q1 – 2019 Q4
GB**

Grade	% Distribution
9	38%
7 and 8	49%
5 and 6	9%
2 – 4	3%
Total	100%



Although fewer than 5% of public sector contracts are issued in tender grades 2 to 4, most contracts awarded in grades 7 to 9 are subcontracted to subcontractors in grades 2 to 6.



TRANSFORMATION

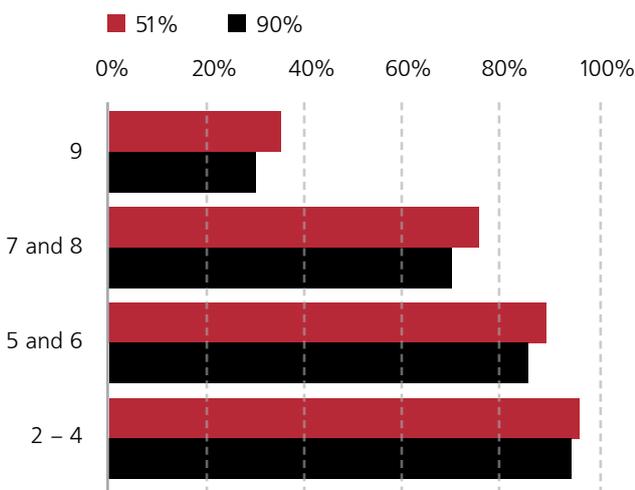
The construction industry – including professional service providers, contractors and materials suppliers – remains largely undertransformed. This lack of transformation in contractor ownership and access to work opportunities is particularly pronounced in grades 5 to 9.

The assessment below shows that transformation decreases with increasing cidb grade (size of company). Specifically, for ownership of 51% and above, fewer than 40% of cidb-registered enterprises in Grade 9 are black-owned. These enterprises include public listed companies and wholly owned subsidiaries, for which black ownership other than directors is excluded. Excluding public listed and international companies from the profile, however, has little impact.

BLACK OWNERSHIP

Grade	Number	Black (%)
Black ownership 51%+		
9	69	36%
7 and 8	1 271	76%
5 and 6	2 782	90%
2 – 4	8 992	96%
Total	13 114	92%

Black ownership 90%+		
9	59	30%
7 and 8	1 183	71%
5 and 6	2 654	86%
2 – 4	8 879	95%
Total	11 775	89%

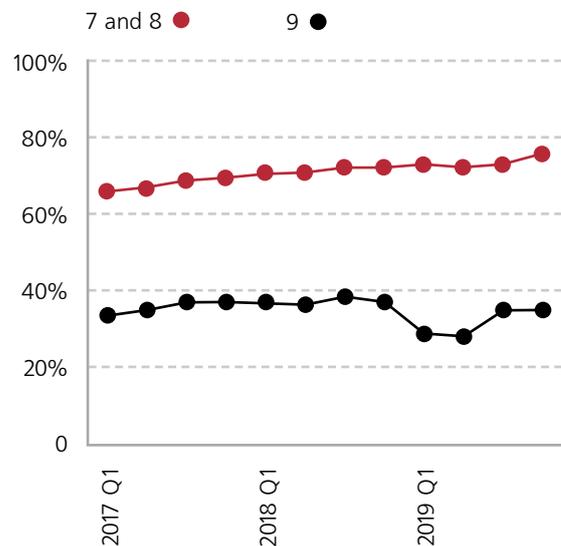
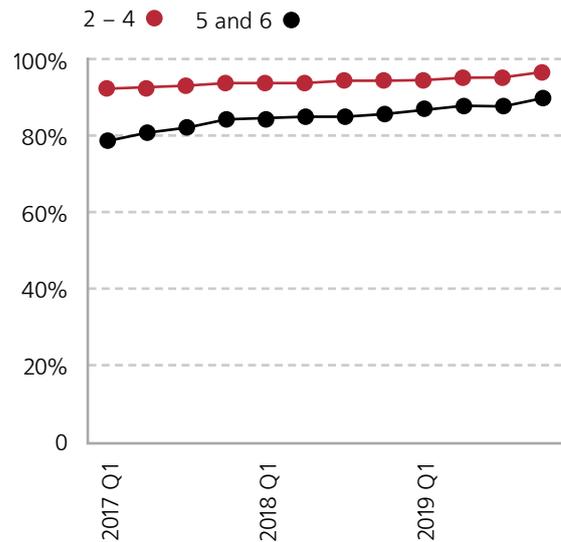


* The grade in the table corresponds to the highest grade for an enterprise across all registrations for the enterprise.

As is shown, there is little difference between black ownership of 51% and above, and 90% and above.

The historic profiles of black ownership of 51% and above for contracting enterprises from the start of 2017 Q1 to the end of 2019 Q4 are evident in the following figures, which demonstrate that black ownership has not increased significantly over the past three years in the higher level grades.

Black ownership 51%+



Black ownership by cidb grade and class of works for black-ownership levels of 51% and above is given on the next page, and shows a higher ownership for general building than for civil engineering.

Black ownership 51%+

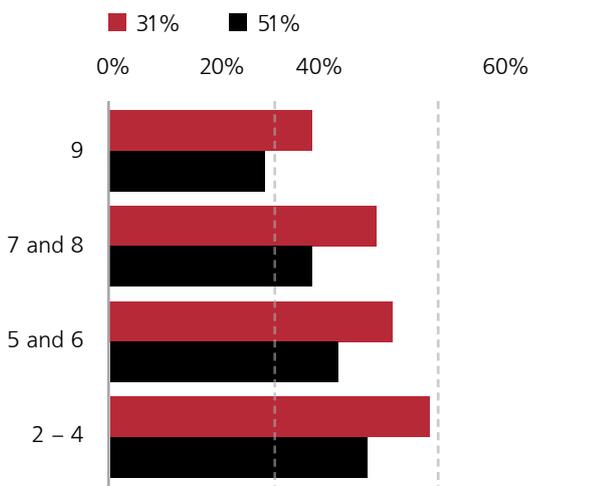
Grade	GB	CE	EB	EP	ME	SW
9	53%	39%	44%	30%	29%	22%
7 and 8	82%	80%	61%	72%	58%	56%
5 and 6	95%	94%	86%	88%	82%	79%
2 – 4	98%	98%	94%	93%	92%	93%

The assessment below shows that transformation in terms of women-owned enterprises decreases with increasing cidb grade, but that change with grade is not pronounced, as is black ownership. Woman ownership of 51% and above constitutes around 30% of all contracting enterprises.

The historic profiles of woman ownership of 51% and above for contracting enterprises from the first quarter of 2016 to the fourth quarter of 2019 are shown below. Woman ownership is decreasing in grades 2 to 6, but increasing in grades 7 to 9, attributable in part to women-owned contractors upgrading to higher grades.

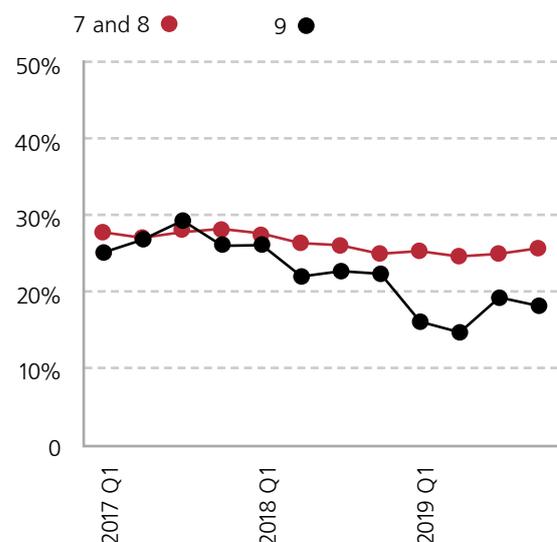
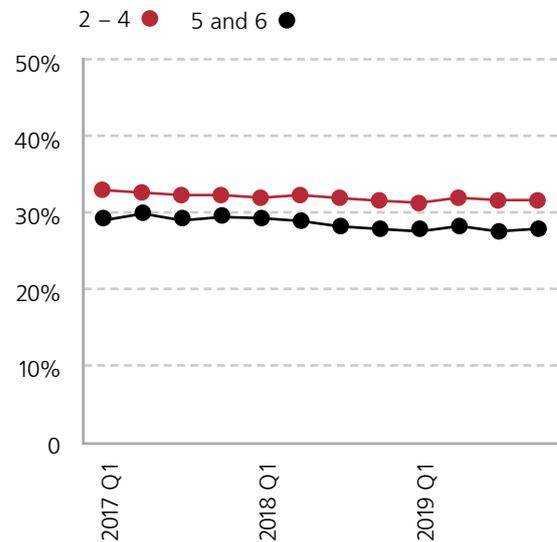
WOMAN OWNERSHIP

Grade	Number	Black (%)
Woman ownership 31%+		
9	47	24%
7 and 8	541	32%
5 and 6	1 083	34%
2 – 4	3 678	39%
Total	5 349	37%
Woman ownership 51%+		
9	35	19%
7 and 8	411	25%
5 and 6	872	28%
2 – 4	2 986	32%
Total	4 305	30%



* The grade in the table corresponds to the highest grade for an enterprise across all registrations for the enterprise.

Woman ownership 51%+



No significant trends are seen in woman ownership of 51% and above by cidb grade for class of works when compared to the 2018/19 financial year.

Woman ownership 51%+

Grade	GB	CE	EB	EP	ME	SW
9	24%	18%	11%	18%	20%	9%
7 and 8	27%	24%	30%	28%	20%	21%
5 and 6	33%	28%	28%	27%	24%	25%
2 – 4	31%	33%	27%	31%	28%	30%

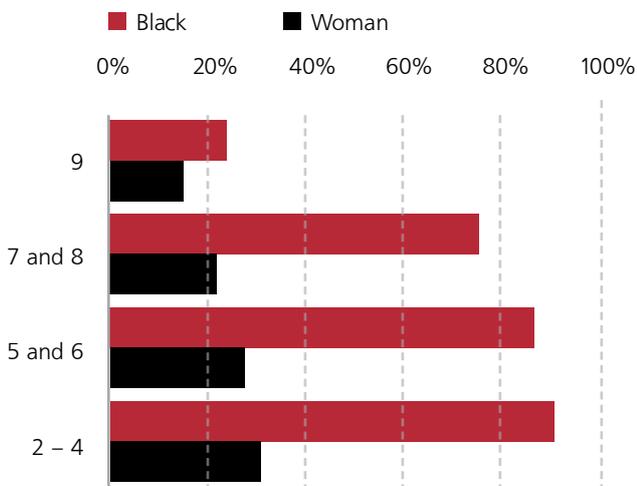
An analysis of estimated values of public sector contracts awarded to black- and woman-owned enterprises from the first quarter of 2017 to the fourth quarter of 2019 reveals a need for rapid transformation.

Overall, black-owned contractors (51% and more) are accessing about 49% of public sector awards. The low percentages of work at Grade 9, i.e the higher value contract awards, is concerning.

Women-owned contractors access around 19% of public contract awards, but enterprises owned 51% and more by women constitute only 31% of the total number of registered enterprises.

PUBLIC SECTOR CONTRACTS AWARDED

Grade	Black (%)	Woman (%)
9	24%	14%
7 and 8	76%	22%
5 and 6	86%	27%
2 – 4	91%	31%
Total	49%	19%







“

In an initiative that will develop 195 small and medium enterprises, create 1 950 new permanent full-time and 100 new short-term full-time positions, and train 2 050 beneficiaries, the cidb partnered with the Jobs Fund to implement the Construction Industry SME Development Project.

*Strategic Plan 2020 to 2025 outcome:
Increased participation of designated
groups, including black-, women- and
youth-owned contractors*

”

**PROMOTING
INDUSTRY
COMPETITIVENESS**

PROMOTING INDUSTRY COMPETITIVENESS

ADVISORY SERVICES BOLSTER BUSINESSES

The cidb strategic plan highlights the need for the organisation to provide business and advisory services to contractors in grades 1 to 6, and to transfer cidb best practices and standards to the industry.

Rather than duplicate industry efforts by establishing advisory centres of its own, the organisation partners with existing agencies that have skills, competencies, equipment and other resources to deliver guidance covering business plans, benchmarking and identification of development needs measured against the cidb Contractor Recognition Scheme. The cidb's relationships with enterprise development agencies, development finance institutions and development funding opportunities are invaluable.

During the review period, provincial office services were extended to advising contractors on the cidb grading system. This included:

- The purpose of registration and its role in project eligibility, and clarification of National Home Builders Registration Council registration and when a contractor must hold both registrations.
- Financial capability criteria used in assessment, including turnover, employable capital, financial sponsorship, financial assets and liabilities, and financial accounts.
- Works capability criteria used in the assessment, namely classes of work, largest contract, qualified personnel and special requirements such as an electrician's licence.

JOBS FUND PROJECT TO BENEFIT SMEs

In an initiative that will develop 195 small and medium enterprises (SMEs), create 1 950 new permanent full-time and 100 new short-term full-time positions, and train 2 050 beneficiaries, the cidb partnered during 2019/20 with the Jobs Fund – a government initiative owned and funded by National Treasury – to implement the Construction Industry SME Development Project.

The project aims to create an environment conducive to the development and growth of small businesses through:

- Enhancing financial and non-financial support services
- Improving competitiveness
- Enabling market access
- Promoting entrepreneurship
- Facilitating progression and growth of contractors
- Facilitating bulk sourcing of building and construction materials
- Leveraging on public and private sector procurement.

The three-year project officially kicked off on 1 October 2019, with the appointment of a project team and project partners, and the recruitment of 13 SMEs needing mainly finance for growth.

The beneficiaries, from Limpopo, Mpumalanga, Eastern Cape and Gauteng, are primarily civil contractors building schools, residential and commercial developments, with one a fitment specialist for industrial machinery in hospital construction and maintenance projects.

The SMEs were baselined to obtain a thorough understanding of their individual needs to better structure the development interventions of the programme.

In addition to working capital, the exercise highlighted the need for business expansion, diversification, streamlining of businesses through efficient systems, team growth or reconfiguration, training and development of employees and subcontractors, and leverage for business development.

A BOOST FOR EXPORT-READY CONTRACTORS

During the review year, the cidb's export promotion strategy to assist black-, women- and youth-owned contractors in grades 5 to 9 to establish a continental footprint, took the form of two workshops. The first explored the impact of liquefied natural gas projects in northern Mozambique, which holds significant potential for local contractors.

The second focused on government interventions to support export promotion initiatives and hosted speakers from the Department of Trade and Industry, the Development Bank of Southern Africa, the Industrial Development Corporation and the Export Credit Insurance Corporation.



**STAKEHOLDER
ENGAGEMENT**

STAKEHOLDER ENGAGEMENT

FORUM FOCUS ON REGISTER ENHANCEMENTS

The NSF, a structure key to the cidb's mandate, convened twice during the review year. During the first meeting, in October 2019, delegates continued discussions on an action plan to enhance the role of the RoC in construction procurement, in the following areas primarily:

- Construction industry development
- Transformation
- Infrastructure procurement risk management
- Promoting uniform application of policy

During 2018/19, NSF membership was reduced to 35 to create greater focus and enhance decision-making.

The first meeting with Ms Patricia de Lille as Minister of Public Works and Infrastructure took place on 9 December 2019, at which the Minister asked the forum to translate its recommendations into proposed actions, with responsibilities and timeliness. An NSF task team was formed and met in February and March 2020 to compile an action plan for presentation to Minister de Lille early in 2020/21.

AWARDING WOMEN IN CONSTRUCTION

An innovative competition stirred up considerable interest in the construction industry during the review year. The Empowerment and Recognition of Women in Construction (ERWIC) awards, a cidb initiative to recognise the achievement and promote the excellence of women in the sector and encourage stakeholders to support women-owned businesses, was conceived during the review year, with the inaugural awards to be announced in August 2020.

In launching the awards during 2019, Public Works and Infrastructure Deputy Minister Noxolo Kieviet said: 'The qualities we are looking for in women in construction must include hope, collaboration, respect, empathy and, in some cases, forgiveness, of those who continue to undermine women as contributors to society.'

'Celebrating the success of women in the industry will encourage society to become more appreciative of the role women play in all spheres, and will drive home the message that women will not be marginalised, discriminated against or absent from future successes.'

Awards will be made in 10 categories, including youth-owned and rural enterprises, mentorship and project delivery excellence.



The introduction of the cidb Empowerment and Recognition of Women in Construction (ERWIC) awards attracted much industry interest, as can be seen from the turnout at the Johannesburg function held in August 2019 to launch the competition.

CLIENT LIAISON

Non-expenditure of infrastructure budgets prompted the cidb to liaise with public sector clients to uncover constraints to project rollout, identify areas of potential cooperation, accelerate a sustainable project pipeline and promote developmental procurement.

Workshops conducted in Eastern Cape, KwaZulu-Natal and Limpopo centred primarily on the RoP, as it was found that clients register their tenders but do not follow up with details of awards and completion on the RoP.

The cidb undertook to provide regular RoP reports to provincial clients, with feedback on client contribution to development and transformation through infrastructure spend.

INFLUENCERS EXPLORE THE FOURTH INDUSTRIAL REVOLUTION

The cidb's annual postgraduate conference, themed 'Positioning the construction industry in the fourth industrial revolution', was hosted by the Department of Construction Management at University of Johannesburg from 29 to 31 July 2019. It drew more than 50 papers, many of them international, looking at prefabrication and 3D printing, cyber-physical systems and digital technologies.

Visiting professors included Professor David Edwards from the School of Engineering and the Built Environment, Birmingham City University, UK; Chimay Anumba of the University of Florida, USA, who holds a PhD in civil engineering and whose research in fields such as engineering informatics and knowledge management has received support worth more than \$150 million, and Miklos Hajdu, Research Fellow at Budapest University of Technology and Economics with a PhD in construction management and a research interest in project planning and controls.

The public lecture on additive manufacturing (3D printing) for fabrication and assembly applications in the construction of human settlements was a high point, with representatives from the private sector, government, research organisations and universities gathering to listen to Prof Behrokh Khoshnevis from the University of Southern California, USA, an expert in robotic building technologies and inventor of contour crafting.

CENTRE OF EXCELLENCE FURTHERS SKILLS AND RESEARCH

The cidb Centre of Excellence was established during the year under review, the honour going to the Department of Construction Management at University of Johannesburg.

The aim of the centre is to develop high-level skills and it will, during its three-year life span, produce three masters and two doctoral candidates. It will assist, too, in building research capacity in rural academic institutions, and will host research workshops and seminars to support emerging researchers in the built environment.

SUSTAINED SUPPORT FOR WORLDSKILLS

During the year, the cidb maintained its involvement in WorldSkills International, a global initiative to promote excellence in trades.

In terms of its longstanding involvement in the bricklaying component of the competition, the organisation supported the competition through the heats that produced the ultimate contender to vie for the title in Kazan, Russia in October 2019. The package included developing all test projects and providing expert judging advice for the college, provincial and national competitions; supplying all tools, materials and equipment, and assisting logistically during the national competition in Durban.

To provide capacity building for bricklaying instruction at TVET colleges and to improve competition preparedness, the cidb hosted bricklaying committee meetings and provided specialised training for provincial bricklaying experts, one of whom was sponsored by the cidb to travel to Russia to attend the international competition.

The score of this year's local bricklaying contender, Michael Mkhali, from Gert Sibande TVET college, was a marked improvement on South Africa's performance at Abu Dhabi in 2018.

In the review year, for the first time, the cidb also put its weight behind 'plumbing and heating' and 'electrical installation', seeing contestants Philile Mngadi and Keagan Lucas through to Kazan, where they also improved on the results of South Africa's 2018 competitors.



...we will work with our client departments to improve infrastructure expenditure and create a performance-driven culture.

**Strategic Plan 2020 to 2025 outcome:
Performance-driven clients**





Michael Mkhalihi, from Gert Sibande TVET college, did South Africa proud with his performance in the bricklaying category of WorldSkills 2019. Michael enjoyed cidb support throughout the local heats and on to the finale in Russia.



**INTERNAL
CAPACITY**

INTERNAL CAPACITY

CLOUD MIGRATION WITH MINIMAL DISRUPTION

The review year proved a turning point in the cidb's digital transformation journey as it took its plans from paper to reality. Systems were elevated to the cloud without major disruptions to business operations. Employees were introduced to Microsoft 365, with its suite of productivity apps such as OneDrive and Teams. These apps later proved invaluable as they allowed for remote working, which enabled the cidb to maintain business continuity as the Covid-19 pandemic took hold. The previous Microsoft Dynamics CRM, which manages the RoC, was upgraded to Dynamics 365 customer engagement, accessible from anywhere in the cloud. Pastel Accounting was replaced with the new Dynamics 365 finance and operations with supply chain management and B-BBEE reporting modules.

Online services were introduced for Grade 1 registration, annual renewals for all grades and change of business particulars, curtailing queues at the cidb Gauteng and KwaZulu-Natal offices in particular. Facial recognition software was piloted at the cidb's Gauteng office, which will help with integrated access control (with facial recognition) and queue management.

The transition from copper-based wide area network to fibre started in the third quarter and will be completed in the first quarter of 2020/21. As fibre provides faster internet access and is more reliable (no cable theft), it will reduce downtime and minimise disruptions in all cidb offices.

Despite load shedding and cable theft, the target of lower than 10% downtime of multiple systems was achieved.

STRENGTHENING HIGH-LEVEL STRUCTURE

During 2019/20, capacitation of the high-level structure was finalised, with the appointment of the CEO, CFO and the CIO. The key executive positions of Chief Operations Officer, Chief Corporate Services Executive and Company Secretary will be filled in the new year to strengthen capacity in the business operations, support and secretariat functions.

The migration and placement of employees into the new cidb structure was finalised in line with the migration and placement policy. All human resources policies were reviewed and approved to ensure alignment with the new structure and best practice. Employment equity targets and strategy were also reassessed.

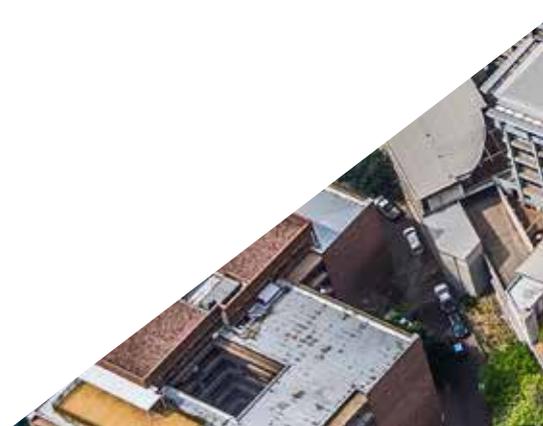
During the review year, the cidb began to analyse its strategic leadership competencies and composition to ensure that it has the right mix of skills to implement the new strategy. Learning and development programmes are being scrutinised in terms of their responsiveness to the current technical skills gaps, particularly in research and development, procurement and compliance, and the pool of internal skills is being deepened to meet current and future needs.

A culture survey was conducted to gain insight on how to drive the cidb's strategy and deliver performance excellence. Survey results will form the launchpad for interventions to inculcate a high-performance culture, develop leadership and optimise performance to enhance organisational effectiveness, and to instil pride in being a cidb employee striving for strategic imperatives.

Demographics

cidb EMPLOYMENT DEMOGRAPHICS FOR THE YEAR ENDED 31 MARCH 2020

Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	3	-	-	-	-	-	-	-	-	-	3
Senior management	2		1		1						4
Professionally qualified and experienced specialists and mid-management	7	1	1	-	4	-	-	1	-	-	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and super-intendents	37	-	2	-	51	1	1	4	-	2	98
Semi-skilled and discretionary decision making	7	-	-	1	24	4	-	-	-	-	36
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-	-	-
TOTAL PERMANENT	56	1	4	1	80	5	1	5	-	2	155
FIXED-TERM CONTRACT	3				5						8
Employees with disabilities					1						1
Temporary employees											-
GRAND TOTAL	59	1	4	1	86	5	1	5	-	2	164



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Results of a culture survey conducted will form the launchpad for interventions to inculcate a high-performance culture, develop leadership and optimise performance to enhance organisational effectiveness, and to instil pride in being a cidb employee striving for strategic imperatives.

*Strategic Plan 2020 to 2025 outcome:
Ethical and performance-driven cidb*

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**ANNUAL
FINANCIAL
STATEMENTS**

ANNUAL FINANCIAL STATEMENTS

GENERAL INFO

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
BANKERS	Standard Bank of South Africa Limited Investec Limited
AUDITORS	Auditor-General of South Africa
SECRETARY	First Corporate of Secretaries Proprietary Limited

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STATEMENT OF RESPONSIBILITIES

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the cidb as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the cidb and places 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 the cidb and all employees are required to maintain the highest ethical standards in ensuring the cidb's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the cidb is on identifying, assessing, managing and monitoring all known forms of risk across the cidb. While operating risk cannot be fully eliminated, the cidb endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the cidb's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, it is satisfied that the cidb has access to adequate resources to continue in operational existence for the foreseeable future.

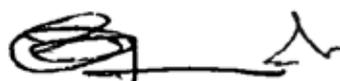
The cidb is dependent on the Department of Public Works and Infrastructure (DPWI) for continued funding of operations. The Annual Financial Statements are prepared on the basis that the cidb is a going concern and that the DPWI has neither the intention nor the need to liquidate or curtail materially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

Although the Accounting Authority is primarily responsible for the financial affairs of the cidb, they are supported by the cidb's external auditors.

The Auditor-General of South Africa is responsible for independently reviewing and reporting on the cidb's Annual Financial Statements.

The Annual Financial Statements have been examined by the Auditor-General of South Africa and its report is presented on page 54.

The Annual Financial Statements set out on page 58 to 87, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 September 2020 and were signed on its behalf by:



CYRIL GAMEDE
CHIEF EXECUTIVE OFFICER



MBONISENI DLAMINI
cidb BOARD DEPUTY CHAIRPERSON

CORPORATE GOVERNANCE REPORT

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

1. Accounting Authority

The Minister of Public Works and Infrastructure is responsible for appointing the Board at an interval of three years as per the CIDB Act, 2000.

The Board is the Accounting Authority in terms of the PFMA and is obliged to comply with the fiduciary duties set out in the PFMA. The Board has a collective responsibility to provide effective corporate governance and strategic direction 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:

- Exercising leadership, enterprise, integrity and judgment in directing the cidb to achieve continuing prosperity and act in the best interests of the cidb while respecting the principles of transparency and accountability.
- Determining the cidb's values and the strategy designed to achieve the cidb's purpose.
- Retaining full and effective control of the Board and monitoring the cidb in implementing Board plans and strategy.
- Monitoring and evaluating the implementation of strategies, policies, procedures, processes, management performance criteria and business plans.
- Formulating, monitoring and reviewing corporate strategy, major plans of action, financial and risk management and internal control policies, appropriate procurement, provisioning systems, communications policy, annual budgets and business plans.
- Ensuring that the cidb complies with all relevant laws, regulations, government policies and codes of best business practice and communicates with its shareholder and relevant stakeholders openly, transparently and promptly with substance prevailing over form.
- Identifying the key risk areas and key performance indicators of the cidb, based on both financial and non-financial aspects such as the socio-political and politico-economic expectations of the shareholder.
- Ensuring 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.

- Ensuring that the shareholder's performance objectives are achieved, and that same can be measured in terms of performance of the cidb.
- Developing a clear definition of the levels of materiality or sensitivity to determine the scope and delegation of authority and ensure that the Board reserves specific powers and authority for itself. All delegated authority shall be in writing and shall be regularly evaluated.
- Ensuring that Board members are granted unrestricted access to accurate, relevant and timely information on the Board and 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.
- Managing potential conflicts of interest between the CEO, Board members and the shareholder and ensuring that any such conflicts of interest or independence are regularly and expeditiously dealt with and resolved.
- Maintaining the highest standards of probity, integrity, responsibility and accountability, 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, the PFMA, and adopting the principles of good governance as contained in the King IV report.

3. Portfolio Committee

The Portfolio Committee of Public Works and Infrastructure 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.

Date of meeting	Purpose
03 July 2019	Annual Performance Plans
09 October 2019	Annual Report

Select Committee on Transport, Public Administration, Public Works and Infrastructure:

Date of meeting	Purpose
19 February 2020	Annual report

4. Executive Authority

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

Date of submission	Type of reports
30 April 2019	Fourth Quarter Performance Report – 2018/19
30 July 2019	First Quarter Performance Report – 2019/20
31 August 2019	First Draft Strategic and Annual Performance Plan
31 October 2019	Second Quarter Performance Report – 2019/20
30 November 2019	Second Draft Annual Performance Plan
30 January 2020	Third Quarter Performance Report – 2019/20 Final Annual Performance Plan

The following commentaries were issued on governance matters:

- Progress on the appointment of cidb executives
- Progress on amendment of the CIDB Act
- Progress on the process of approval of the cidb's Best Practice's Fee

5. Risk management

All entities are faced with uncertainty and challenges. Management's role is to determine how much uncertainty is acceptable in striving towards achieving its strategic objectives. Enterprise risk management enables management to identify, assess and manage risks in the face of uncertainty.

Enterprise management is defined as a process effected by an entity's Board of directors (accounting authority), management and other personnel, applied in strategy setting and across the whole organisation. It is designed to identify potential events that may affect the entity and manage risks to be within acceptable levels. The strategic risk assessment was conducted to determine and rate strategic risks facing the organisation. These risks were categorised and monitored for effectiveness and efficiency.

To identify the risks that could impact cidb's operations, the cidb first identified or confirmed its business/strategic objectives or goals.

Within the context of an entity's established vision, management establishes strategic objectives, selects strategy and sets aligned goals cascading throughout the organisation.

Enterprise risk management is geared to achieving an entity's objectives along with four areas:

- Strategic – high-level goals, aligned with and supporting mission/vision
- Operations – effective and efficient use of resources
- Reporting – reliability of reported information
- Compliance – compliance with applicable laws and regulations

The strategic risks identified, including their risk mitigation action plan, were followed up and monitored as part of risk management processes.

Furthermore, the following risk mitigation plan or projects were not finalised to reduce the strategic risks to be within an acceptable level:

- The filling of key positions in the approved structures
- The review of the CIDB Act
- The procurement of office accommodation
- The establishment of the ICT steering committee
- The establishment of credit fund

The other areas that require Board and management attention in the new financial year:

- Low compliance to the cidb prescripts
- The pace of transformation is too slow.

Emerging risk

The Covid-19 virus, which was declared a pandemic by the WHO, reached our shores on 5 March 2020. The virus is a threat to health and business continuity. The lockdown, which was put in place on 26 March 2020 to minimise the spread of disease, had a negative effect on the financial performance of the cidb in terms of registration income projection.

6. Event or incident report

The following is summary of the incidents reported in this financial year:

- cidb acquired its head office in Centurion after the financial year-end
- Incident of internal fraud, which was investigated
- The judgment against cidb
- The system challenges that occurred in December and January 2020, affecting the registration turnaround.

7. Audit, Risk and Governance Committee

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

8. Internal audit function

The purpose of the internal auditing function is to provide independent, objective assurance and consulting services designed to add value and improve the cidb's operations.

It helps the cidb accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving risk management, control and governance processes. The internal auditing function's scope is to determine whether the cidb's network of risk management, control and governance processes are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups within the cidb occurs as appropriate;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions are following policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the entity's control process;
- Significant legislative or regulatory issues impacting the entity are recognised and addressed appropriately.

The scope of the work performed by the internal audit function was based on its assessment of risk (with management input) and as approved by the Audit, Risk and Governance Committee. Audit coverage focuses primarily on high-risk areas and any other areas directed by the Audit, Risk and Governance Committee.

The cidb has established the internal audit function, currently fully outsourced to independent audit firms. In the year under review, Business Innovative Group (BIG) was the appointed firm to render the services of internal audit function to the cidb.

BIG confirms that assignments were undertaken in line with the approved 2019/20 annual plan for the year ended 31 March 2020. It complied with the requirements of the International Standards for Professional Practice of Internal Auditing in the performance of its duties and adhered to the professional code of conduct. It followed a risk-based approach to planning audit assignments.

It considered the risk assessment of the cidb and reviewed selected audit areas in the annual audit plan. Those reviews were reported to the Audit, Risk and Governance Committee and management of the cidb. The results of those assignments, including other enquiries made with management, form the basis of the internal control assessment ratings, as shown in the table below for each audit area.

9. Compliance with laws and regulations

The cidb does not have a dedicated compliance function. However, systems, processes and policies are in place to provide the Board with the assurance that all laws are being complied with. The internal and external auditors are performing ongoing reviews. The findings are reflected in the specific audit reports and when issued at the completion of audit assignments.

10. Fraud and corruption

The cidb holds zero tolerance towards fraud and corruption and all incidents and reasonable suspicions thereof are 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.

There is an anti-fraud and corruption policy in place and the cidb implements fraud and ethics awareness annually. The policy is considered effective as no incidents of fraud were detected in the year under review.

11. Whistleblowing

The cidb subscribes to the duty of protection and, to this extent, has invested in an anonymous reporting facility hotline, enabling and empowering employees and other stakeholders (such as contractors) to report suspicions without fearing victimisation and retribution of any kind. This independently managed facility is 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/hotline is available on the cidb website.

12. Ethics

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

All employees must:

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

13. Board members

- Shall act jointly when discharging their responsibilities and no individual Board member shall have any authority to act or issue instructions on behalf of the Board unless specifically authorised or requested by the Board to do so;
- Shall be jointly and severally accountable for all Board decisions taken and actions implemented;
- Are expected to exercise the same degree of care and prudence with assets as they would in their personal affairs;
- Are obliged to act in the best interests of the cidb and act with due care and diligence in discharging their duties as Board members;
- Are required to avoid and declare any possible or potential conflicts of interest with the cidb and account for any advantages gained or that could conceivably be gained through the discharge of their duties as cidb Board members;
- A Board member who has a real or prospective interest in any of the business of the cidb shall declare such interest at a Board meeting as soon as the Board member becomes aware of such a specific interest; on the first appointment

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

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

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

REPORT OF THE AUDIT, RISK AND GOVERNANCE COMMITTEE

Audit, Risk and Governance

We are pleased to present our report for the financial year ended 31 March 2020.

Audit, Risk and Governance Committee Members and Attendance

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

Name of member	Number of meetings
Sipho Mosai (Chairperson)	4
Lufuno Nevhutalu (Board member)	4
Mboniseni Dlamini (Board member)	4
Dr Natalie Skeepers (Board member)	4

Audit, Risk and Governance Committee Responsibility

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

Reporting on Performance Information

The Board has an additional responsibility to ensure that it accurately reports on performance information. The Audit, Risk and Governance Committee confirmed that it was satisfied with reporting of the performance information throughout the year, through verification of an independent assessment by the internal auditors.

The Effectiveness of Internal Controls

The internal controls of cidb were effectively managed throughout the financial year. The Office of the Auditor-General and the internal audit team identified certain weaknesses in the controls, which were brought to the attention of management.

The Audit, Risk and Governance Committee exercised an oversight role over the reports prepared 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 Audit, Risk and Governance Committee is satisfied with the audit work that has been completed to date against the approved internal audit plan.

Evaluation of Financial Statements

The Audit, Risk and Governance Committee has:

- Reviewed and discussed the 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's response thereto;
- Reviewed the accounting policies and procedures;
- Reviewed the significant adjustment resulting from the audit.

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



SIPHO MOSAI

SIGNED ON BEHALF OF THE AUDIT, RISK AND GOVERNANCE COMMITTEE

CHAIRPERSON: AUDIT, RISK AND GOVERNANCE COMMITTEE

30 SEPTEMBER 2020

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 2020.

The Accounting Authority acknowledges responsibility for the preparation and integrity of the financial statements and related information in the annual report. For the Accounting Authority to discharge these responsibilities and those bestowed on it in terms of the PFMA and other applicable legislation, it has developed and maintains a system of internal controls designed to provide reasonable assurance regarding the achievement of objectives.

Establishment, mandate and services of the cidb

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

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 2019/20, the cidb received a grant of R76 160 000 (2018/19: R73 323 000). R94 853 125.00 (2018/19: R100 141 380.00) was received in the form of registers' revenue and other income of R18 827 708.00 (2018/19: R16 549 742.00). Thus, the total income for the cidb was R189 840 833.00 (2018/19: R190 014 122.00). The net surplus for the financial year was R2 136 097.00 (2018/19: R26 844 987.00). After considering the opening accumulated surplus of R176 480 002.00, this has resulted in an increase of accumulated surplus to R178 616 101.00 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 Practice (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury and directives issued by the Accounting Standards Board.

Corporate governance

General

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

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

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

Performance information

The cidb has developed an APP, which provided a clear indication of goals and objectives for the 2019/20 period. Progress reports were tabled at each Board and committee meeting of the cidb.

Furthermore, the cidb reported to the DPWI quarterly progress towards the achievement of the stated outputs and objectives, in line with the funding arrangement between the DPWI and the cidb.

New or proposed activities

No new activities were undertaken during the period under review.

Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee comprised four members for the year ended 31 March 2020 and met four times during the year, in accordance with its approved terms of reference. Refer to page 51 for the Audit, Risk and Governance committee report.

Events after reporting date

The cidb acquired its head office in Centurion after the financial year-end.

Business address

Registered office:
Block N, R & Z, SABS Campus
No 2 Dr Lategan Road, Brooklyn Square, Groenkloof, 0027

Postal:
PO Box 2107
0075, Pretoria

Bankers:

Standard Bank of SA Limited
Investec Bank Limited

External Auditors:

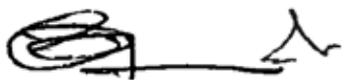
Auditor-General of South Africa is responsible for the external audit of the cidb.

Internal Auditors:

The cidb has outsourced its internal audit function to Business Innovative Group, which reports to the Audit, Risk and Governance Committee.

Approval

The Annual Financial Statements for the year ended 31 March 2020, set out on pages 58 to 87, 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:



CYRIL GAMEDE
CHIEF EXECUTIVE OFFICER



MBONISENI DLAMINI
DEPUTY CHAIRPERSON: cidb BOARD

REPORT OF THE AUDITOR-GENERAL

Report on the audit of the financial statements

We are pleased to present our report for the financial year ended 31 March 2020.

Opinion

1. I have audited the financial statements of the Construction Industry Development Board set out on pages 58 to 87, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Construction Industry Development Board as at 31 March 2020 and its financial performance and cash flows for the year then ended in accordance with the South African Standard of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act, (Act 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 this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the *International Code of Ethics for Professional Accountants* (including International Independence Standards) of the *International Ethics Standards Board for Accountants* (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (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 public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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 programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 2 – Regulation and advocacy	91 - 92

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. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme: Programme 2 – Regulation and advocacy.

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 89 - 95 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a significant number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 2 – Regulation and advocacy. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual performance report

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of current assets, current liabilities and disclosures identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. 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.
23. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
26. The entity lacked sufficient and adequately skilled staff to support senior management, which resulted in the oversight responsibilities regarding financial statements and compliance as well as internal controls being inadequate as audit findings were raised in the current year that could have been prevented if the entity has sufficient staff in the finance division.
27. The public entity did not have a proper recordkeeping as there were instances of limitation of scope raised during the audit of annual financial statements, where not all information was submitted for audit purposes; however, the information has subsequently been submitted. The entity could not submit a consolidated general ledger due the implementation of a new system; as a result, it submitted 05 general ledgers for the audit.
28. The public entity did not have sound review process in place as findings were raised in the audit of the annual financial statements and performance information that could have been avoided if sound processes were in place.

Other reports

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

Auditor General

Pretoria

30 September 2020



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 judgment and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

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

or conditions that may cast significant doubt on the ability of the cidb 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures and determine 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, where applicable, actions taken to eliminate threats or safeguards applied.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF FINANCIAL POSITION

	Note	2020	2019
Assets			
Non-current Assets			
Property, plant and equipment	3	8 754 659	10 287 544
Intangible assets	4	33 432 283	8 342 146
		42 186 942	18 629 690
Current Assets			
Receivables from exchange transactions	5	3 958 489	3 963 040
Cash and cash equivalents	6	241 026 467	241 400 950
		244 984 956	245 363 990
Total Assets		287 171 898	263 993 680
Liabilities			
Current Liabilities			
Finance lease obligation	7	-	103 153
Payables from exchange transactions	8	25 460 670	13 132 843
Provisions	9	6 012 556	5 136 381
Income received in advance	10	77 082 571	69 148 180
Total Liabilities		108 555 797	87 520 557
Net Assets			
Accumulated surplus		178 616 101	176 473 123

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2020	2019
Revenue			
Revenue from exchange transactions			
Assessment fees	11	45 635 550	46 714 950
Other income	11	31 478	18 451
Finance income	14	18 026 412	16 126 291
Total revenue from exchange transactions		63 693 440	62 859 692
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	11	76 160 000	73 323 000
Donation received	11	229 508	-
Contractor fines	12	540 310	405 000
Annual fees	11	49 217 575	53 426 430
Total revenue from non-exchange transactions		126 147 393	127 154 430
Total revenue	11	189 840 833	190 014 122
Expenditure			
Employee benefit cost	21	(89 998 525)	(83 854 906)
Members' emoluments	24	(3 725 800)	(3 777 613)
Depreciation and amortisation		(3 095 819)	(3 993 227)
Finance costs	22	(4 179)	(28 069)
Debt Impairment		(291 203)	(184 560)
Loss on assets written off	3	(299 664)	(819 425)
Operating expenses	23	(90 289 546)	(70 511 335)
Total expenditure		(187 704 736)	(163 169 135)
Surplus for the year		2 136 097	26 844 987

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
Balance at 01 April 2018	149 628 136	149 628 136
Surplus for the year	26 844 987	26 844 987
Balance at 01 April 2019	176 473 131	176 473 131
Surplus for the year	2 136 097	2 136 097
Correction of errors	6 873	6 873
Balance at 31 March 2020	178 616 101	178 616 101

CASH FLOW STATEMENT

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Registers income		103 530 387	105 317 193
Grants received		76 160 000	73 323 000
Finance income		18 026 412	15 970 160
Other receipts		31 478	18 451
		197 748 277	194 628 804
Payments			
Compensation to employees		(88 736 000)	(83 402 241)
Payments to suppliers and others		(82 451 703)	(71 454 058)
		(171 187 703)	(154 856 299)
Net cash flows from operating activities	17	26 560 574	39 772 505
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(306 101)	(4 394 377)
Purchase of other intangible assets	4	(26 528 502)	(5 294 483)
Net cash flows from investing activities		(26 834 603)	(9 688 860)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments – capital		(96 274)	(422 744)
Finance lease payments – finance cost		(4 180)	(28 069)
Net cash flows from financing activities		(100 454)	(450 813)
Net increase in cash and cash equivalents		(374 483)	29 632 832
Cash and cash equivalents at the beginning of the year		241 400 950	211 768 118
Cash and cash equivalents at the end of the year	6	241 026 467	241 400 950

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on cash basis						
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Assessment fees	50 592 000	-	50 592 000	45 635 550	(4 956 450)	11
Other income	-	-	-	31 478	31 478	
Finance income	8 831 000	-	8 831 000	18 026 412	9 195 412	14
Total revenue from exchange transactions	59 423 000	-	59 423 000	63 693 440	4 270 440	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	76 160 000	-	76 160 000	76 160 000	-	11
Donation received	-	-	-	229 508	229 508	
Contractor fines	-	-	-	540 310	540 310	11
Annual fees	48 608 000	-	48 608 000	49 217 575	609 575	11
Total revenue from non-exchange transactions	124 768 000	-	124 768 000	126 147 393	1 379 393	
Total revenue	184 191 000	-	184 191 000	189 840 833	5 649 833	
Expenditure						
Employee benefit cost	(107 311 000)	-	(107 311 000)	(89 998 525)	17 312 475	21
Members' emoluments	(3 900 000)	-	(3 900 000)	(3 725 800)	174 200	24
Depreciation and amortisation	-	-	-	(3 095 819)	(3 095 819)	3&4
Finance costs	(20 000)	-	(20 000)	(4 179)	15 821	22
Debt impairment	-	-	-	(291 203)	(291 203)	
Repairs and maintenance	(513 000)	-	(513 000)	(38 616)	474 384	23
Operating expenses	(72 447 000)	-	(72 447 000)	(90 250 930)	(17 803 930)	23
Total expenditure	(184 191 000)	-	(184 191 000)	(187 405 072)	(3 214 072)	
Operating surplus	-	-	-	2 435 761	2 435 761	
Loss on assets written off	-	-	-	(299 664)	(299 664)	3 and 4
Surplus before taxation	-	-	-	2 136 097	2 136 097	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	2 136 097	2 136 097	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on cash basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						
Basis difference						
Net operating activities				26 560 574		
Net investing activities				(26 834 603)		
Net financing activities				(100 454)		
Actual amount in the statement of financial performance				1 761 614		

The accounting policies on pages 64 to 70 and the notes on pages 71 to 87 form an integral part of the Annual Financial Statements.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

1.1 PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the cidb.

1.2 GOING CONCERN ASSUMPTION

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

1.3 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgments include:

Other significant judgments, sources of estimation uncertainty and/or relating information have been disclosed in the relating notes.

Allowance for doubtful debts

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.

Accounting by principal and agent

The cidb makes assessments on whether it is the principal or agent in principal-agent relationships. When cidb in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If cidb concludes that it is not the agent, then it is the principal in the transactions.

Additional information is disclosed in note 27.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the 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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

The useful lives of items of property, plant and equipment have been assessed as follows:

Leasehold property	Straight-line	3 years
Furniture and fixtures	Straight-line	3 – 8 years
Motor vehicles	Straight-line	8 years
Office equipment	Straight-line	3 – 19 years
Computer equipment	Straight-line	3 – 18 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the cidb. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The cidb assesses at each reporting date whether there is any indication that the cidb expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the cidb revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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 the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any and the carrying amount of the item.

1.5 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the 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 the cidb; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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:

Computer software, other	Straight-line	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 arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset to the cidb and the financial liability or residual interest of another entity to the cidb.

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.

1.6 FINANCIAL INSTRUMENTS (continued)

Derecognition is the removal of a previously recognised financial asset of one entity and a financial liability or a residual interest of another entity.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. 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, the cidb shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall 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 those 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), the cidb shall 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;
- 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 the 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 the 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 the cidb in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

A residual interest is any contract that manifests an interest in the assets of the 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 unissued 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 the 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 the 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 the 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:

- the cidb designates at fair value at initial recognition; or
- are held for trading.

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:

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

Classification

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

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

The 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

1.7 TAX

Current tax assets and liabilities

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

1.8 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

Minimum lease payments are apportioned between the finance charge and 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 the cidb's policy on property, plant and equipment unless the lease term is shorter.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.9 ACCRUALS

Accrual liabilities represent expenses already incurred but not yet paid.

1.10 COMMITMENTS

Commitments are contractual agreements with the suppliers of goods and services, where delivery has not yet taken place. Commitment excludes all contracts appointed by the cidb on rates for services as and when required by the cidb, by virtue of appointing on rates the cidb raises no possible obligations nor is there a firm commitment resulting in probability that an outflow of economic resources or service potential will be required to settle the obligation. Commitments are disclosed in the notes to the Annual Financial Statements at nominal value of the contractual agreement.

1.11 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 medical aid contribution for bargaining unit employees, vacation leave and sick leave, long service and performance bonuses), is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

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

The expected cost of surplus 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 the cidb pays fixed contributions into a separate entity, which administers the fund. The 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. The cidb currently contributes towards the insurance portion of the fund on behalf of its employee. The insurance contributed by the cidb covers guaranteed benefits on disability and death.

Provident fund

The 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 the cidb. The 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

1.11 EMPLOYEE BENEFITS (*continued*)

benefits. Membership of the provident fund is compulsory for all employees who joined the cidb after 01 September 2010 and optional for all employees who joined the cidb before the said date. The cidb employee benefit structure is on basic salary and benefits for the bargaining-unit employees and on total cost to company to non-bargaining-unit employees and as such the cidb contributes 7.5% of annual basic salary towards the provident fund for those employees within the bargaining unit and does not directly contribute towards the provident fund on behalf of its non-bargaining-unit employees who are members of the provident fund. However, all employees are required to contribute towards the provident fund irrespective of which unit.

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

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the cidb has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when and only when, it is virtually certain that reimbursement will be received if the 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.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 19.

1.13 REVENUE FROM EXCHANGE TRANSACTIONS

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

An exchange transaction is one in which the cidb receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Registers income

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

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Finance income

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

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

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

1.14 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the cidb either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the 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 the cidb.

When, as a result of a non-exchange transaction, the 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 the 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. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

1.15 EXPENDITURE

Expenditure is classified in accordance with the nature of the expenditure in the period in which it is incurred. The cidb recognises expenditure in surplus or deficit when a decrease in future economic benefits or service potential relates to a decrease in an asset or an increase in a liability, other than those relating to distributions to government.

The cidb recognises expenses immediately in surplus or deficit when no future economic benefits or service potential are expected or when and to the extent that future economic benefits or service potential do not qualify or cease to qualify for recognition as an asset in the statement of financial position. The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.16 FINANCE COSTS

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

1.17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

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

1.18 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.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure as defined in Section 1 of the PFMA 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.
- (d) National Treasury practice note no 2 of 2019/2020, which was issued in terms of sections 76(1) to 76(4) of the Public Finance Management Act effective from 1 April 2019 and Irregular Expenditure Framework.

1.20 RELATED PARTIES

The 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 the cidb or exercise significant influence over the cidb, or vice versa, or entities that are subject to common control, or joint control within the national sphere of government are considered to be related parties. Only transactions carried out with entities within the ambit of the DPWI and transactions not carried out at arm's length basis are disclosed.

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

All transactions with entities identified by the cidb as related

parties are disclosed.

1.21 BUDGET INFORMATION

The 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 the cidb shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

The budget for the economic entity includes all the entity's approved budgets under its control.

The Annual Financial Statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

1.22 EVENTS AFTER REPORTING DATE

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 a 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.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the cidb did not adopt any standards and interpretations that are effective for the current financial year as they are not 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 2020 or later periods, and no standards and interpretations are relevant to the cidb's operations.

3. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	6 415 032	(4 351 339)	2 063 693	7 204 779	(4 767 200)	2 437 579
Motor vehicles	180 775	(146 428)	34 347	180 775	(138 293)	42 482
Office equipment	3 705 972	(2 461 301)	1 244 671	4 320 312	(2 821 228)	1 499 084
Computer equipment	10 142 505	(4 730 557)	5 411 948	10 158 898	(3 850 499)	6 308 399
Total	20 444 284	(11 689 625)	8 754 659	21 864 764	(11 577 220)	10 287 544

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Adjustment	Depreciation	TOTAL
Furniture and fixtures	2 437 579	201 725	(247 787)		(327 825)	2 063 693
Motor vehicles	42 482	-	-	-	(8 135)	34 347
Office equipment	1 499 084	104 376	(48 360)		(310 428)	1 244 671
Computer equipment	6 308 399	-	(3 516)	-	(892 935)	5 411 948
Total	10 287 544	306 101	(299 663)	-	(1 539 323)	8 754 659

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Disposals	Adjustment	Depreciation	TOTAL
Furniture and fixtures	2 807 871	5 831	(11 420)	(1 635)	(363 068)	2 437 579
Motor vehicles	50 617	-	-	-	(8 135)	42 482
Office equipment	1 989 114	216 078	(130 086)	(7 888)	(568 134)	1 499 084
Computer equipment	4 161 007	4 172 468	(667 754)	9 248	(1 366 570)	6 308 399
Total	9 008 609	4 394 377	(809 260)	(275)	(2 305 907)	10 287 544

Pledged as security

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

Assets subject to finance lease (net carrying amount)

Office equipment	570	90 332
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4. INTANGIBLE ASSETS

	2020			2019		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	11 434 336	(9 227 349)	2 206 987	10 972 086	(7 801 734)	3 170 352
Intangible assets under development	31 225 296	-	31 225 296	5 171 794	-	5 171 794
Total	42 659 632	(9 227 349)	33 432 283	16 143 880	(7 801 734)	8 342 146

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Disposals	Adjustment	Amortisation	TOTAL
Computer software, other	3 170 352	475 000		118 129	(1 556 493)	2 206 987
Intangible assets under development	5 171 794	26 053 502			-	31 225 296
	8 342 146	26 528 502	-	118 129	(1 556 493)	33 432 283

Reconciliation of intangible assets – 2019

	Opening balance	Additions	Disposals	Adjustment	Amortisation	TOTAL
Computer software, other	4 773 670	122 689	(10 165)	(28 522)	(1 687 320)	3 170 352
Intangible assets under development	-	5 171 794	-	-	-	5 171 794
	4 773 670	5 294 483	(10 165)	(28 522)	(1 687 320)	8 342 146

Pledged as security

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

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of intangible assets

Computer software, other	31 225 296	5 171 794
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Intangible assets under development relate to computer software development costs incurred towards the development of the new system. The system is in its development phase. The development started in December 2019 and at the reporting date was still underway and as a result, all qualifying costs are capitalised.

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2020	2019
Trade receivables	2 701 502	1 020 419
Prepayments	1 256 987	2 942 621
	3 958 489	3 963 040

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Trade and other receivables impaired

As of 31 March 2020, trade and other receivables of R449 571 (2019: R184 560) were impaired and provided for.

The amount of the provision was R331 895 as of 31 March 2020 (2019: R529 815).

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

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

Reconciliation of provision for impairment of trade and other receivables	2020	2019
Opening balance	(529 815)	(572 220)
Provision for impairment	(331 805)	(529 815)
Unused amounts reversed/written off	529 815	572 220
	(331 805)	(529 815)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:	2020	2019
Cash on hand	34 360	36 662
Bank balances	2 663 242	2 117 966
Bank balances – maturity deposits	238 328 865	239 246 322
	241 026 467	241 400 950

Cash and cash equivalents held by the cidb that are not available for use	2 248 997	-
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The cidb entered into an administrative agreement with the Jobs Fund, an agency of National Treasury where the cidb is administering and monitoring the implementation of the JF8 – 1709 Construction Industry of SME Development Project. An amount of R2 248 997 has been deposited in the ringfenced and for exclusive use for the project, primary account for the purposes of the Project Management Unit and the project. Funds remained unused as at the end of the financial year under review.

	2020	2019
7. FINANCE LEASE OBLIGATION		
Minimum lease payments due	-	107 333
- within one year	-	107 333
	-	107 333
less: future finance charges	-	(4 180)
Present value of minimum lease payments	-	103 153

Present value of minimum lease payments due

- within one year	-	103 153
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At the reporting date, the cidb had a lease agreement in respect of office equipment. The lease agreements are not renewable at the end of the lease term and the 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, the cidb has entered into a finance lease agreements term of 36 months for the telephonic systems.

The average effective borrowing rate of the lease agreements is 12% (2019: 12%).

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

The leases do not impose any restrictions on the cidb.

8. PAYABLES FROM EXCHANGE TRANSACTIONS	2020	2019
Trade payables	13 449 137	-
Unallocated deposits	5 946 579	3 895 924
Trade accruals	2 205 396	7 973 572
Jobs Fund payables	2 248 997	-
Payroll liabilities	1 610 561	1 263 347
	25 460 670	13 132 843

9. PROVISIONS

Reconciliation of provisions – 2020

	Opening balance	Additions	Utilised during the year	Total
Provision for performance bonus	1 948 216	1 955 973	(1 948 216)	1 955 973
Provision for leave	3 179 165	6 959 171	(6 092 253)	4 046 083
Provision for long service	9 000	10 500	(9 000)	10 500
	5 136 381	8 925 644	(8 049 469)	6 012 556

Reconciliation of provisions – 2019

	Opening balance	Additions	Utilised during the year	Total
Provision for performance bonus	1 856 813	1 948 216	(1 856 813)	1 948 216
Provision for leave	2 865 348	2 856 739	(2 542 922)	3 179 165
Provision for long service	77 500	9 000	(77 500)	9 000
	4 799 661	4 813 955	(4 477 235)	5 136 381

Provision for performance bonus is calculated at 7% of annual salaries of all non-bargaining-unit staff members. The bonuses are payable to all non-bargaining-unit staff members who qualify for the performance bonuses. A liability is recognised for the amount expected to be paid if the cidb has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. A liability for performance bonuses is accrued on a basis of services rendered. A liability for performance bonus is raised on the estimated amount payable in terms of the measurement tools applied by the cidb, which bases its outcomes on employees' performance in the applicable year. There are no uncertainties envisaged that may affect the above provisions. The provision for bonus is expected to be settled within the next 12 months.

Employee entitlements to annual leave are recognised when the leave accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Provision for leave is calculated at current salary rate multiplied by number of available leave credits. There are no uncertainties envisaged that may affect the above provisions. The provision for annual leave is expected to be settled within the next 12 months.

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the cidb. Provision for long service is calculated at a pre-determined rate for all qualifying employees in respective categories. There are no uncertainties envisaged that may affect the above provisions. The provision for long-service awards is expected to be settled within the next 12 months.

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.

11. REVENUE	2020	2019
Assessment fees	45 635 550	46 714 950
Other income	31 478	18 451
Finance income	18 026 412	16 126 291
Government grants	76 160 000	73 323 000
Donations received	229 508	-
Contractor fines	540 310	405 000
Annual fees	49 217 575	53 426 430
	189 840 833	190 014 122

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

Assessment fees	45 635 550	46 714 950
Other income	31 478	18 451
Finance income	18 026 412	16 126 291
	63 693 440	62 859 692

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

Transfer revenue

Government grants	76 160 000	73 323 000
Contractor fines	540 310	405 000
Annual fees	49 217 575	53 426 430
Donation received	229 508	-
	126 147 393	127 154 430

Nature and type of donations received are as follows:

Donations received

During the year under review, the cidb received donations of office equipment, furniture and the fixtures of R229 508 from Northern Cape Department of Roads and Public Works.

12. CONTRACTOR FINES	2020	2019
Contractor fines	540 310	405 000

Contractor fines are levied on contractors registered with the cidb for breaching applicable laws, regulations and code of conduct.

13. OTHER INCOME	2020	2019
Other income	31 478	18 451

14. FINANCE INCOME	2020	2019
Finance income		
Bank	18 026 412	16 126 291

15. INCOME TAX EXEMPTION

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

16. AUDIT FEES	2020	2019
External audit fees	1 520 828	1 939 365
Internal audit fees	815 845	930 287
	2 336 673	2 869 652

17. CASH GENERATED FROM OPERATIONS

Reconciliation of provisions – 2020

	2020	2019
Surplus	2 136 097	26 844 987
Adjustments for:		
Depreciation and amortisation	3 095 819	3 993 227
Loss on assets written off	299 664	819 425
Finance costs	4 179	28 069
Debt impairment	291 203	184 560
Movements in provisions	876 175	336 720
Prior-year adjustments	(118 129)	56 962
Changes in working capital:		
Receivables from exchange transactions	4 551	1 828 952
Reversal of bad debts provision	(291 203)	(184 560)
Payables from exchange transactions	12 327 828	2 249 873
Prior-year adjustment – non-cash items	-	650 000
Income received in advance	7 934 390	2 964 290
	26 560 574	39 772 505

18. COMMITMENTS

	2020	2019
Authorised capital expenditure		
Already contracted for but not provided for		
• Outstanding contractual obligations as at year-end	45 923 967	59 125 115
Total capital commitments		
Already contracted for but not provided for	45 923 967	59 125 115

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

Operating leases – as lessee (expense)

Operating lease payments represent rentals payable by the cidb to SABS for its office properties in Pretoria. The cidb engaged the DPWI to take over the lease agreement negotiations with SABS as per Government Immovable Asset Management Act 19 of 2007, which mandates DPWI to manage leases of government departments and public entities. A letter was received from the DPWI granting the 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. A contract for the new lease has been signed by SABS and is awaiting the signature of the DPWI.

19. CONTINGENCIES

Contingent liabilities

2020

2019

Liable to:

National Treasury

90 505 192

98 718 321

The accumulated surplus of R90 505 192 was classified as a contingent liability at 31 March 2020 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.

20. RELATED PARTIES

Parent department

Sister department

National Department of Public Works and Infrastructure
Gauteng Provincial Department of Public Works, Eastern
Cape Department of Roads and Public Works, Western
Cape Department of Transport and Public Works; KwaZulu-
Natal Department of Public Works, Free State Department
of Police, Roads and Transport, Mpumalanga Department of
Public Works, Limpopo Department of Public Works, North
West Department of Public Works, Roads and Transport
and Northern Cape Department of Roads and
Public Works

Sister department

Council for the Built Environment, Independent
Development Trust and Agrément South Africa

Related party balances

2020

2019

Loan accounts – owing (to) by related parties

Mpumalanga Department of Public Works, Roads and Transport

386 485

66 812

The cidb has entered into a rental agreement with the Mpumalanga Department of Public Works, Roads and Transport, whereby the cidb reimburses the department monthly rental incurred, including operational costs for the office accommodation provided to the cidb and shall be liable for payment of such rental costs upon receipt of an invoice. The arrangement is on a month-to-month basis.

Commitments with related parties

Mpumalanga Department of Public Works, Roads and Transport

-

44 063

The cidb has entered into a rental agreement with the Mpumalanga Department of Public Works, Roads and Transport, whereby the cidb reimburses the department monthly rental incurred, including operational costs for the office accommodation provided to the cidb and shall be liable for payment of such rental costs upon receipt of an invoice. The arrangement is on a month-to-month basis.

Related party transactions

Grant received from related parties

Department of Public Works and Infrastructure

76 160 000

73 323 000

Rent paid to related parties

Mpumalanga Department of Public Works, Roads and Transport

318 272

534 623

21. EMPLOYEE BENEFIT COST	2020	2019
Basic	68 157 620	60 366 287
Bonus	1 834 956	1 052 905
Medical aid – company contributions	1 392 655	1 220 449
UIF	295 399	298 486
Group Life company contribution	461 789	322 529
Leave payment	1 103 710	370 612
Long service	-	22 000
Provident fund contributions	6 357 795	5 406 456
Long-service awards	25 500	-
Housing benefits and allowances	389 500	-
	80 018 924	69 059 724

Remuneration of executives

Annual remuneration	8 900 707	12 463 672
Acting allowance	558 553	1 589 470
Performance bonuses	520 341	742 040
	9 979 601	14 795 182

22. FINANCE COSTS	2020	2019
Finance leases	4 179	28 069

23. OPERATING EXPENSES

	2020	2019
Advertising	1 789 398	2 203 121
Auditor's remuneration	2 336 673	2 869 652
Bank charges	688 145	749 536
Cleaning	712 019	914 253
Consulting and professional fees	38 024 286	29 188 124
Consumables	186 436	147 716
Rentals	8 836 246	8 190 239
Insurance	483 614	506 597
IT expenses	13 279 016	6 495 811
Promotions and sponsorships	589 503	164 118
Motor vehicle expenses	21 707	22 200
Postage and courier	163 624	277 500
Printing and stationery	1 890 453	2 861 060
Repairs and maintenance	172 418	348 783
Security	1 287 936	1 220 571
Subscriptions and membership fees	451 145	603 229
Telephone and fax	5 471 073	2 496 464
Training	924 235	1 277 293
Travel – local	6 555 909	5 212 293
Travel – overseas	1 587 351	783 407
Electricity	1 939 858	1 709 527
Storage expenses	598 199	289 881
Board expenses	66 080	-
Venue expenses	2 234 222	1 979 960
	90 289 546	70 511 335

24. MEMBERS' EMOLUMENTS AND REMUNERATION OF EXECUTIVES

Board 2020

	Board Meetings	Committee Meetings	Other Activities Board	Meetings	Committee Meetings	Other Activities	Retainer	Travel Expenses	Total
Nonkululeko Sindane	7	8	6	48 557	87 398	13 874	134 244	63 282	347 376
Mboniseni Dlamini	6	19	6	51 213	162 476	4 709	113 928	230 790	563 147
Sipho Mosai	2	6	6	12 951	55 584	32 377	104 436	73 736	279 098
Denzel Maduray	6	16	5	35 077	95 786	19 434	104 436	14 908	269 668
Mpendulo Ndlaazi	7	10	16	50 730	94 979	86 076	104 436	338 681	674 935
Thuthuka Songelwa	6	16	13	42 096	136 805	78 788	104 436	466 842	829 002
Dr Natalie Skeepers	5	14	14	28 602	99 297	97 947	104 436	186 830	517 145
Kennedy Maimela	7	18	14	37 777	110 633	62 075	104 436	105 283	420 243
Lufuno Nevhutalu	4	6	2	18 351	35 621	4 317	104 436	-	162 737
Malebo Matolong	4	3	7	21 586	39 933	42 091	104 436	56 364	264 424
Eric Manchidi	5	7	12	24 826	62 598	57 747	104 436	40 766	290 397
Bongekile Zulu	6	16	7	46 950	136 806	18 348	104 436	214 365	520 934
Danny Masimene	7	15	14	50 730	121 959	101 728	104 436	291 638	670 527
Total emoluments – Board	-	-	-	469 446	1 239 875	619 511	1 396 968	2 083 485	5 809 633

Board 2019

Total emoluments – Board	-	-	-	418 798	1 001 121	910 351	1 164 142	1 784 522	5 278 934
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24. MEMBERS' EMOLUMENTS AND REMUNERATION OF EXECUTIVES (continued)

Members' emoluments for the Board in respect of all meetings and activities, which excluded reimbursed travel expenses, subsistence and cellphone allowance amounted to a total of R3 725 800 (2019: R3 494 412).

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 NSF meetings.

Committee meetings include:

All Board committee meetings for the year.

Other activities include:

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

Retainer:

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

Executives

2020

	Salary	Acting allowance	Performance bonus	Total
Moola E (Acting CEO – 14 Mar 2018 – 12 Jan 2020)	1 706 560	196 515	112 400	2 015 475
Gamede C (CEO – 13 Jan 2020)	653 179	-	-	653 179
George B (Acting COO – 01 May 2017 – 31 Nov 2019)	1 103 024	99 681	76 311	1 279 016
Mphuthi M (Acting CIO – 01 May 2017 – 31 July 2019)	826 087	40 404	54 130	920 621
Milford R (Acting 01 Apr 2018 – retired 31 Aug 2019)	752 016	116 546	124 911	993 473
Raphiri R (Acting COO – 01 Dec 2019)	1 105 906	61 005	73 276	1 240 187
Nsibande S (Acting CFO – 01 May 2017 – 30 Jun 2019)	1 614 444	44 401	79 313	1 738 158
Naka E (CIO – 01 Aug 2019)	1 139 492	-	-	1 139 492
Total emoluments – executives	8 900 708	558 552	520 341	9 979 601

2019

Total emoluments – executives	12 463 672	1 589 469	742 040	14 795 181
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Executive emoluments disclosure

The cidb discloses executive emoluments of those employees at the executive level or acting in an executive capacity only. Executive emoluments include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Information Officer and Chief Corporate Service Officer.

25. CHANGE IN ESTIMATE

Property, plant and equipment

In terms of GRAP 17 Property, Plant and Equipment requirements, 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, office equipment, furniture and fittings to be 19 years. The effect of this revision increased the depreciation charges for the current and future periods by R9 832. The impact of this revision has decreased surplus for the year by R9 832.

Intangible assets

In terms of GRAP 31 Intangible Assets requirements, which states that the useful lives of intangible assets must be reviewed at each balance sheet date, management revised the estimated useful lives of computer software. The effect of this revision increased the amortisation charges for the current and future periods by R8 242. The impact of this revision has decreased surplus for the year by R8 242.

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. The cidb ensures that adequate funds are available to meet its expected and unexpected financial commitments. The following table provides details of the 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	25 460 670	25 460 670	25 460 670	-
Income received in advance	77 082 571	77 082 571	77 082 571	-
Finance lease	-	-	-	-

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	13 132 840	13 132 840	13 132 840	-
Income received in advance	69 148 180	69 148 180	69 148 180	-
Finance lease	103 154	103 154	103 154	-

The following table shows the classification of the cidb's principal instruments:

Financial instrument	Classification	2020	2019
Cash and cash equivalents	Financial asset at amortised cost	241 026 467	241 400 950
Trade receivables	Financial asset at amortised cost	2 701 502	1 020 419
Trade and other payables	Financial liability measured at amortised cost	25 460 670	13 132 840
Income received in advance	Financial liability measured at amortised cost	77 082 571	69 148 180
Finance lease	Financial liability measured at amortised cost	-	103 153

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

2020	Loans and receivables	Financial liabilities at amortised cost	Total
Finance income	18 026 412	-	18 026 412
Finance charges	-	(4 179)	(4 179)
	18 026 412	(4 179)	18 022 233

2019	Loans and receivables	Financial liabilities at amortised cost	Total
Finance income	16 126 291	-	16 126 291
Finance charges	--	(28 069)	(28 069)
	16 126 291	(28 069)	16 098 222

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. The cidb's interest rate profile consists of fixed and floating rate bank balances which expose the cidb to fair value interest rate risk and cash flow interest risk. The 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.

2020	Change investments (%)	Upward change	Downward change
Cash and cash equivalents	1	2 410 265	(2 410 265)

2019	Change investments (%)	Upward change	Downward change
Cash and cash equivalents	1	2 414 010	(2 414 010)

Credit risk

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

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

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

Exposure to credit risk

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

Financial instrument	2020	2019
Cash and cash equivalents	241 026 467	241 400 950
Trade receivables	2 701 502	1 020 419
Trade and other payables	25 460 670	13 132 840
Income received in advance	77 082 571	69 148 180
Finance lease	-	103 154

Ageing of financial assets

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

2020	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
Cash and cash equivalents	241 026 467	-	-	241 026 467
Trade and other receivables	-	-	2 701 502	2 701 502
	241 026 467	-	2 701 502	243 727 969

26. RISK MANAGEMENT (continued)

2019	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
Cash and cash equivalents	241 400 950	-	-	241 400 950
Trade and other receivables	--	-	1 020 419	1 020 419
	241 400 950	-	1 020 419	242 421 369

Concentration of credit risk

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

2020	BB+	BB+	Unrated
Cash and cash equivalents	168 697 922	72 294 185	34 360
Other receivables	-	-	2 820 979
	168 697 922	72 294 185	2 855 339

2019	BB+	BB+	Unrated
Cash and cash equivalents	177 433 248	63 931 040	36 662
Other receivables	-	-	613 519
	177 433 248	63 931 040	650 181

27. ACCOUNTING BY PRINCIPALS AND AGENTS

The cidb is a party to a principal-agent arrangement.

Details of the arrangement is as follows:

The cidb entered into an administrative agreement with the Jobs Fund, an agency of National Treasury where the cidb is administering and monitoring the implementation of the JF8 – 1709 Construction Industry of SME Development Project. Through the back-to-back agreement signed by the cidb and the implementing agencies, the cidb ceded the rights and risks associated with the project to the implementing agencies.

The cidb is the agent. Refer to note 1.3 for significant judgments applied in making this assessment.

Entity as agent

Resources held on behalf of the principals, but recognised in the cidb's financial statements

The cidb entered into an administrative agreement with the Jobs Fund, an agency of National Treasury where the cidb is administering and monitoring the implementation of the JF8 – 1709 Construction Industry of SME Development Project. An amount of R2 248 997 has been deposited in the ringfenced and for exclusive use for the project, primary account for the purposes of the Project Management Unit and the project. Funds remained unused as at the end of the financial year under review.

The cash resources held are expected to be disbursed within the next 12 months upon finalisation of the appointment of the Project Management Unit and project auditors.

Liabilities to be settled using assets recognised

The cidb entered into an administrative agreement with the Jobs Fund, an agency of National Treasury where the cidb is administering and monitoring the implementation of the JF8 – 1709 Construction Industry of SME Development Project. An amount of R2 248 997 has been deposited in the ringfenced and for exclusive use for the project, primary account for the purposes of the Project Management Unit and the project. Funds remained unused as at the end of the financial year under review.

The liabilities are expected to be settled within the next 12 months upon finalisation of the appointment of the Project Management Unit and project auditors.

28. EVENTS AFTER THE REPORTING DATE

The cidb acquired its head office in Centurion after the financial year-end. Although the service provider was appointed before the year-end, obligation arose upon meeting all suspensive conditions, which occurred after the year-end, but before the reporting date. The cost of the building, including fitting it to suit the cidb's requirements, is estimated at R98 000 000.00.

29. FRUITLESS AND WASTEFUL EXPENDITURE

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

30. IRREGULAR EXPENDITURE

	2020	2019
Opening balance as previously reported	1 010 046	813 416
Opening balance as restated	1 010 046	813 416
Add: Irregular expenditure – current	-	413 746
Less: Amount written off – current	(1 010 046)	(217 116)
Closing balance	-	1 010 046

31. 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 2020, the difference is due to the budget being prepared on a cash basis and the Annual Financial Statements being prepared on the accrual basis. The cidb is not allowed to budget for a surplus; however, for the financial year ended 31 March 2020, revenue collected exceeded the expenditure incurred, resulting in a net surplus of R2 136 097.

For the purposes of this note, only 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 R4 346 875 undercollected. This difference arose from the cidb having received fewer assessments than initially anticipated, mainly due to system upgrades, resulting in a clear backlog in April and May.

Finance income was overcollected by R9 195 412 due to better interest rates received and available cash resources than anticipated.

Personnel expenditure was underspent by R17 312 475; this is due to vacant funded posts that were not filled in the year under review. The cidb anticipated capacitating the new structure as per the outcome of the organisational redesign exercise currently underway. However, due to certain delays, the process to capacitate the structure did not commence as was envisaged.

The difference in depreciation of R3 095 819 is due to the fact that the cidb's budget is on a cash basis and no budget for depreciation was provided for as it is a non-cash item. Operating expenditure overspent by R17 803 930; this is mainly due to the cidb spending above budget on professional and consultants fees as a result of the cidb having several vacancies which were planned to be engaged within the financial year, resulting in the utilisation of consultants in executing certain of the cidb's activities.

After considering the restated opening accumulated surplus of R176 480 004, this resulted in an increase in the accumulated surplus to R178 602 907 at the end of the financial year.



**PERFORMANCE
INFORMATION**

PERFORMANCE INFORMATION

PERFORMANCE AGAINST TARGETS: 1 APRIL 2019 TO 31 MARCH 2020

PROGRAMME 1: ADMINISTRATION

Performance Indicator	Actual Achievement 2018/19	Planned Annual Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Annual Target to Actual Achievement 2019/20	Comments on Deviations
Strategic Objective 1.1: To increase alternate revenue streams to 75% by 2020					
Rand value of revenue generated through other revenue streams	R116 806 352 revenue generated through other revenue streams	R96 976 000 revenue generated through other revenue streams	R118 707 000 revenue generated through other revenue streams	Achieved	Other revenue funds generated were more than the budgeted amount
Strategic Objective 1.2: Achieve fourth level of maturity of ICT governance framework by 2020					
% downtime of multiple systems	15% downtime of multiple systems achieved	10% downtime of multiple systems	0.8% downtime of multiple systems achieved	Achieved	Minimal power outages
% incidents/reports attended to within a specific time	100% incident reports attended to within a specified time	90% incident reports attended to within a specific time	90% incident reports attended to within a specific time	Achieved	
Strategic Objective 1.3: Become a high-performing organisation that will achieve all objectives and set targets					
% items approved in line with five-year strategy	90% items approved in line with five-year strategy	65% items approved in line with five-year strategy	73% items approved in line with five-year strategy implemented	Achieved	Improved project management
Strategic Objective 1.4: Ensure that the organisation complies with legislative requirements					
% service providers paid within 30 days	100% service providers on average paid within 30 days	100% service providers paid within 30 days	100% service providers on average paid within 30 days	Achieved	
% SCM turnaround index	77.7% SCM turnaround index	77.5% SCM turnaround index	88.00% SCM turnaround index achieved	Achieved	SCM officials are familiar with the procurement process

PROGRAMME 1: ADMINISTRATION

Performance Indicator	Actual Achievement 2018/19	Planned Annual Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Annual Target to Actual Achievement 2019/20	Comments on Deviations
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Strategic Objective 1.5: Grow talented human capital by achieving a human capital value-add rating of 10% by 2020

% employee satisfaction rating	54.4% employee satisfaction rating achieved	60% employee satisfaction rating	61% employee satisfaction rating achieved	Achieved	Rating was greater than expected
% average employee performance assessment rating	Average of 3.46% employee performance rating achieved for 162 employees assessed	3% average employee performance assessment rating	3.46% average employee performance rating achieved	Achieved	Performance in line with that of the previous year, in which the baseline set was 3.46%

Strategic Objective 1.6: Ensure that sound governance practices are implemented through effective implementation of all Board decisions and resolutions

Internal audit risk rating on final report	Moderate audit risk rating achieved	Moderate audit risk rating on final report	Moderate audit risk rating achieved	Achieved	
% recurring audit findings resolved	70% recurring audit findings resolved	80% recurring audit findings resolved	90% recurring findings resolved	Achieved	Recurring audit findings tracked using internal auditors
% completed internal audit	100% internal audit projects completed	100% internal audit projects completed	100% internal audit projects completed	Achieved	

Strategic Objective 1.7: Become a reputable organisation through sound stakeholder relations and improved customer satisfaction levels by 2020

% stakeholder perception index	55% stakeholder perception index	40% stakeholder perception index	59.7% stakeholder perception index achieved	Achieved	Performance in line with that of the previous year, in which the baseline set was 55%
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PROGRAMME 2: REGULATION AND ADVOCACY

SUB-PROGRAMME: REGULATORY FRAMEWORK COMPLIANCE

Performance Indicator	Actual Achievement 2018/19	Planned Annual Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Annual Target to Actual Achievement 2019/20	Comments on Deviations
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Strategic Objective 2.1: Enhance compliance with the regulatory framework by increasing the registration of construction projects with the cidb

% private sector project compliance index	100% private sector projects compliance index	6% private sector project compliance index	0% private sector project compliance index	Not achieved Majority of private sector clients are non-compliant with the cidb regulations as they are not registering the contract awards on the cidb RoP	The cidb is reinforcing the compliance programme and has implemented a method to verify projects in the field against the projects registered on the RoP
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Strategic Objective 2.2: Achieve a 98% correlation of contracts awarded to correct level of contractors by 2020

% RoP information verified and corrected within two months	0% RoP information verified and corrected within two months of registration date achieved	90% RoP information verified and corrected within two months of registration date	100% of RoP information verified and corrected within two months	Achieved	A resource has been assigned to monitor the registration of projects
% grades 1 to 9 contractors registered within 21 working days	99% grades 1 to 9 contractors registered within 21 working days	96% grades 1 to 9 contractors registered within 21 working days	87% grades 1 to 9 contractors registered within 21 working days	Not achieved A system challenge resulted in poor turnaround in processing applications	Online registration to be implemented from May 2020 to improve situation
% grades 2 to 9 contractors correctly graded through validation and verification sampling	99% grades 2 to 9 contractors correctly graded through validation and verification sampling	97% grades 2 to 9 contractors correctly graded through validation and verification sampling	99% grades 2 to 9 contractors correctly graded through validation and verification sampling	Achieved	The implemented system was effective
% grades 2 to 9 contractors and PSPs satisfied/very satisfied with registration services	76% grades 2 to 9 contractors satisfied/very satisfied with registration services	70% grades 2 to 9 contractors satisfied/very satisfied with registration services	69% of grades 2 to 9 contractors satisfied/very satisfied with registration services	Not achieved System challenges resulted in delays and poor customer satisfaction	The lockdown was used to eradicate registration backlog

PROGRAMME 2: REGULATION AND ADVOCACY

SUB-PROGRAMME: REGULATORY FRAMEWORK COMPLIANCE

Performance Indicator	Actual Achievement 2018/19	Planned Annual Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Annual Target to Actual Achievement 2019/20	Comments on Deviations
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Strategic Objective 2.3: Enhance provincial footprint in support of cidb strategic objectives

% grades 2 to 9 applications captured by provincial offices within seven working days	96% grades 2 to 9 applications captured by provincial offices within seven working days	90% of grades 2 to 9 applications captured by provincial offices within seven working days	69% grades 2 to 9 applications captured by provincial offices within seven working days	Not achieved A system challenge resulted in poor turnaround in processing applications	Online registration to be implemented from May 2020 to improve situation
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PROGRAMME 3: DEVELOPMENT AND CAPACITATION

Performance Indicator	Actual Achievement 2018/19	Planned Annual Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Annual Target to Actual Achievement 2019/20	Comments on Deviations
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Strategic Objective 3.1: Improve availability of developmental support to at least 0.05% of the total construction gross fixed capital formation by 2020

% contractors graduating from CDPs	70% contractors graduating from CDPs achieved	25% contractors graduating from CDPs	0% competent contractors exiting from CDPs achieved	Achieved Applications were received from contractors exiting a CDP in KwaZulu-Natal, but the imminent lockdown made it impossible to finalise contractors' assessments	Assessment of contractors exiting CDPs will be finalised after the lockdown
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Strategic Objective 3.2: Improve the skills development pipeline by providing 4 000 learners with access to workplace learning opportunities by 2020

Rand value of skills development support	R1 300 036 skills development support achieved	R4 000 000 skills development support	Over R4 000 000 spent on skills support	Achieved	More funds than expected were raised for the skills development project
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Strategic Objective 3.3: Grow and develop contractors through establishment of partnerships and other collaborative initiatives

% provincial business advisory services to contractors at grades 2 to 6 index	76% provincial business advisory services to contractors at grades 2 to 6 index	75% provincial business advisory services to contractors at grades 2 to 6 index	89.3% provincial business advisory services to contractors at grades 2 to 6 index	Achieved	High interest among contractors in the business advisory services project
# export advisory services provided to contractors at grades 5 to 9	1 export advisory service provided to contractors at grades 5 to 9	1 export advisory service provided to contractors at grades 5 to 9	2 export advisory services provided to contractors at grades 5 to 9	Achieved	Project high interest

PROGRAMME 4: INDUSTRY PERFORMANCE AND TRANSFORMATION

SUB-PROGRAMME: CONSTRUCTION INDUSTRY MONITORING AND EVALUATION

Performance Indicator	Actual Achievement 2018/19	Planned Annual Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Annual Target to Actual Achievement 2019/20	Comments on Deviations
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Strategic Objective 4.1: Monitor the growth and transformation of the construction industry to achieve transformational targets by 2020

# Construction Monitor transformation reports	1 Construction Monitor transformation report issued on 23 January 2020	1 Construction Monitor transformation report	1 Construction Monitor transformation report achieved	Achieved	
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Strategic Objective 4.2: Support risk management within the industry to ensure that by 2020 at least 85% of projects comply with contractor and client performance ratings

% projects with contractor and PSP performance ratings by clients	8.3% projects with contractor and PSP performance ratings by clients achieved	85% projects with contractor and PSP performance ratings by clients	4.88% projects with contractor performance ratings by clients	Not achieved Low response from clients that registered awarded contracts on the cidb RoP	The cidb to accelerate the gazetting of the contractor performance reports process i.e. the Project Assessment Scheme
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Strategic Objective 4.3: Improve the capacity and competitiveness of the construction industry by 2020

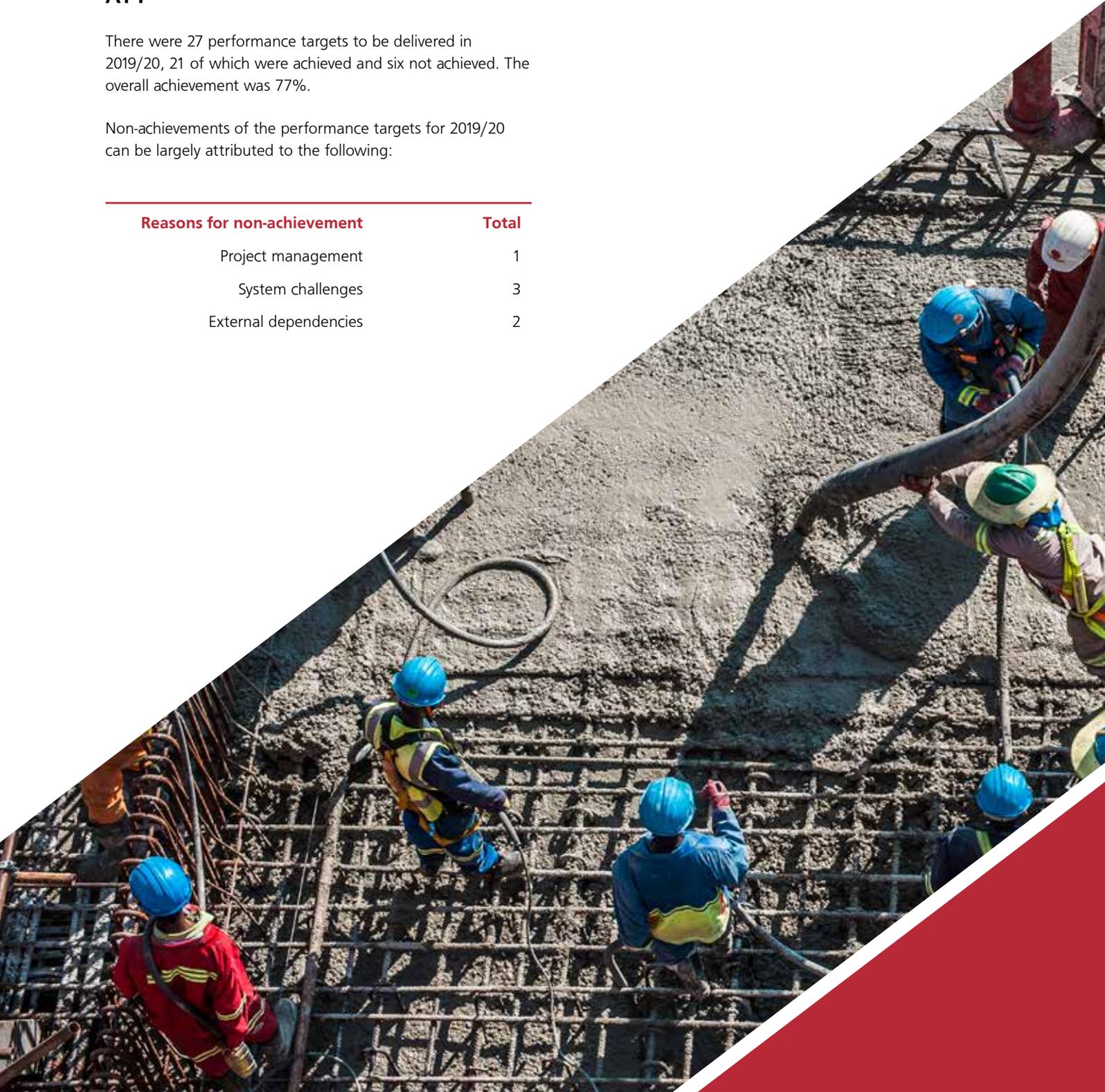
Rand value contractor development support for contractor recognition	R1 587 400 value contractor development support for contractor recognition achieved	R10 000 000 contractor development support for contractor recognition	R16 075 490.20 spent on contractor development support for contractor recognition	Achieved	More funds were raised to roll out contractor development support
% contractor payment within 30 days index	100% contractor payment within 30 days index achieved	60% contractor payment within 30 days index	85% contractor payment within 30 days index achieved	Achieved Improved contractor payment turnaround	More clients that registered their projects on the RoP paid their contractors on time than was expected
% index rating inadequate access to credit as a constraint	39% index rating of inadequate access to credit achieved	40% index rating inadequate access to credit as a constraint	30.58% index rating of inadequate access to credit achieved	Achieved	Access to credit better than projected

PERFORMANCE AGAINST 2019/20 APP

There were 27 performance targets to be delivered in 2019/20, 21 of which were achieved and six not achieved. The overall achievement was 77%.

Non-achievements of the performance targets for 2019/20 can be largely attributed to the following:

Reasons for non-achievement	Total
Project management	1
System challenges	3
External dependencies	2





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